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16 January 1985

# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

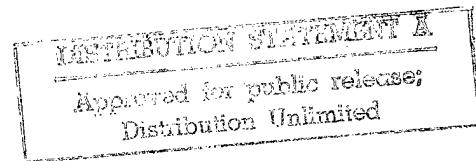
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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### MARKET COMMODITIES PRODUCTION IMBALANCE IN ARMENIA NOTED

Yerevan KOMMUNIST in Russian 20 Oct 84 p 2

[Article by A. Organisyan, director, Armenian Branch, All Union Scientific Research Institute on the Economics of Cooperative Trade: "Trade: Where are the Reserves?" under the heading: "Agenda for the Ministries and Departments"; passages rendered in all capital letters printed in boldface in text]

[Text] An unusual situation has come to pass in the republic in recent years: although retail goods turnover is growing in absolute terms, plans for goods turnover are not being fulfilled. At the same time rapid growth is noted in above-normal commodity stocks. And simultaneously demand by the populace for many consumer goods is not being fully met in terms of volume and assortment. How can this be explained? Certain trade specialists see the reason for this situation in the changes in retail prices for a number of commodities. Of course it would not be proper to rule out this factor; nevertheless, the explanation for the slackening development of goods turnover in conditions of rapid growth in above-normal stocks, only as a result of changes in retail prices is not natural--if only because of the fact that in conditions of a change in the state of the market, neither trade nor industry were prepared to utilize reserves for growth of the goods turnover. For industry, this means production of goods which enjoy the active demand of the populace. Alas, the trade organizations did not react in time to the changed situation either. The measures which were undertaken, directed toward stimulating goods turnover--such as trade fairs, street vending and the like--suffer from certain shortcomings.

For example, street vending of food items was organized for the purpose of attracting the attention of the purchasers and to save them time. However, the counter displays set up in front of the stores contained only vodka, champagne, cigarettes and other goods sold by the piece. But these goods are not items for impulse sales. For this purpose it would have been possible to organize the sale of such goods which are useful both to the consumer and to trade. ON A HOT SUMMER DAY ONE RARELY SEES VARIOUS KINDS OF CHILLED JUICES FOR SALE IN THROWAWAY CUPS ON THE STREETS OF YEREVAN; AT THE SAME TIME THE COUNTERS IN THE STORES AND THE WAREHOUSES OF THE CANNING ENTERPRISES ARE CHOCK FULL OF THESE PRODUCTS, AND SELLING THEM IS A PROBLEM BOTH FOR INDUSTRY AND FOR TRADE. There is no reason to doubt that organizing the sale of juices would result in increased pastry sales as well.

Another interesting fact--WE OFTEN FIND MEAT PIES FOR SALE, BUT POTATO, SOFT CHEESE OR VEGETABLE PIES--ALMOST NEVER.

Or: purchasing fruits and vegetables takes up a great deal of a shopper's time, and at times one can see lines at these stores. It would make a lot of sense to organize the sale of these products in packaged form on the streets and in busy places, as they do in other cities in the country.

I am far from convinced that the trade organizations are not making an effort to fulfill the plan for goods turnover. It's simply that all their measures are focused on today; they are efficient in nature, and their basic goal is to fulfill the current planned assignment. At the same time the problem of commodity sales remains acute. With significant growth in production of consumer goods; with the market saturated with many different kinds of articles--consumer demand remains unsatisfied. The purchaser quite often sums it up in the following manner: "There are a lot of goods, but there's nothing to buy". The situation which has come to pass is spurring the search for new ways and means of perfecting the ties between trade and industry. At the January (1984) Plenum of the Central Committee of the Armenian Communist Party, Comrade K.S. Demirchyan noted that: "...Nonfulfillment of plans is not only the result of changes in market conditions, but is to a larger extent a consequence of the low level of organizational work at the Ministry of Trade and the board of Aykoop [expansion unknown], which have not satisfactorily implemented the functions of management and coordination of activities...".

Unfortunately, no significant gains have yet been noted. For example, of the total production volume of articles of clothing manufactured in our republic in 1983, only 23.5 per cent was sold; of knitted wares, 16.2 per cent; stockings and hosiery, 13.4 per cent. And this, at a time when more than 900 denominations of consumer goods are shipped in to our republic; when above-normal stocks in the republic are, by way of example, for knitted wares worth about 4,000,000 rubles; stockingables.

As we see, goods are produced, are shipped to the retail system and quite often do not find a buyer. The point is, that our industry today is still manufacturing a significant share of its products with no address--without a specific consumer in mind; although it is namely he, the purchaser, who provides the appraisal of the work of industry. But industry is not very much disturbed about the ultimate recognition of its work by the consumer. For industry, the sales plan is considered fulfilled when the wholesale organization pays the bill presented by the enterprise for the delivery of goods. Industry has no further problems--legally and economically it has no responsibility for the goods it produces for which the populace has no use.

The demands presented in contemporary conditions--to display greater independence at all levels, to boldly carry out a broad creative quest in all areas of the economy in the name of increasing its effectiveness--apply fully to the production of consumer goods and selling them in trade. At the present time experiments are being conducted in certain republics (Georgia, the Ukraine, Belorussia) aimed at more completely satisfying popular demand by means of truly creative cooperation between trade and industry.

I think that the problems facing the trade organizations of our republic also need to be thoroughly studied in practical and in experimental conditions. In this connection IT WOULD BE SENSIBLE TO TRANSFORM MAJOR RETAIL TRADE ENTERPRISES INTO SO-CALLED SUPPORT ENTERPRISES, where certain rational functions would be amalgamated, such as those carried out at wholesale trade fairs, at sales exhibits, and at company stores called upon to regulate contacts between the producer and the consumer. Each industrial supplier enterprise could organize meetings of producers, workers in wholesale and retail trade, and consumers. It is precisely at such meetings, held several times a year (or once a quarter), that specialists from trade and industry could conduct sales exhibits of products produced by a given enterprise; could present new items; and could determine specifications for orders. During the intervals between such sales exhibits, workers at the support enterprise should be continuously informing the producer of the rate of sales, of realized and unsatisfied demand; and should focus his attention on those goods for which there is increased demand.

THESE SUPPORT ENTERPRISES SHOULD BE EXEMPLARY. We have in mind a broad range of goods, standard of service, technology of trade, mechanization of all operations, and thoroughly detailed accounting for deliveries, sales, and leftovers in terms of intragroup assortment. Both trade and the appropriate industrial enterprises should take part in creating such an enterprise, and in maintaining it at the proper level.

Organizing such support enterprises will permit a significant increase in the rate of goods turnover; it will aid in reducing the volume of unmarketable and shopworn goods; it will create conditions for increasing the basis for requisition orders presented to industry by trade; and will increase industry's responsibility for the ultimate sale of its products.

It is vitally necessary to conduct this kind of experiment today in the republic.

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### APPEAL FOR IMPROVEMENTS IN FURNITURE PRODUCTION

Moscow TRUD in Russian 15 Sep 84 p 2

[Article by Ye. Pestrukhina: "The 'Obedient' Consumer: How Are We Meeting Demand for Contemporary Furniture?"]

[Text] The furniture sector at the Interrepublic Wholesale Fair for Commercial Goods was deserted and quiet. What was there to admire? A handful of completely uninteresting "natural" exhibits plus photographs of ordinary sofas, tables, settings.... Remnants which didn't find purchasers at republic fairs. However, the "sellers", enterprise representitives, were not especially concerned. Trade organizations, not getting their stocks of furniture (apparently, many of the fault-finders were at bride shows) hurried to buy anything. Furniture is in short supply: 10 billion rubles worth is needed, but only 7.5 billion (including exports) is available.

The years old furniture shortage has made consumers obedient and relieved industry of concerns about product quality and the search for new designs. Trade organizations have been relieved of the need to study demand. What sort of furniture do consumers need?

V. Artem'yev, the director of the Interior Store, a company store of the VPO [All Union Production Association] Tsentrromebel' [Central Furniture], explained, "Nobody is engaged in a serious and constant study of the dynamics of demand for furniture, or making scientific forecasts of the furniture market. Our store, which includes three trade sections in various parts of Moscow and a furniture exhibit, is a unique experiment. Its an attempt by industry to personally, without any intermediates, become acquainted with consumers. Enterprises are only beginning to organize market groups [gruppy kon'yunktury]. For too long it was felt that demand was the prerogative of trade. In actuality, not a single store is engaged in such work. Recently I returned from a trip to central Russia. I went especially to local trade administrations and Roskhozorg bases, asking what furniture they thought would be in demand. I did not receive a persuasive answer.

The system of trade orders for industry is now simple: give us more proven furniture. It is no accident that at republic fairs contracts are primarily signed for furniture which has enjoyed stable demand over recent years. New items which are not too different from currently produced ones have an easy

time. Will demand remain? Nobody is concerned about the long term. Trade is concerned about current unmet demand. It orders for tomorrow what it doesn't have today. Here is a characteristic example.

At the fair arranged by Tsentrromebel', trade units were offered two new models of balcony furniture. flat, but very spacious shelves with folding seats, tables and flower holders. The price was right. Trade units were skeptical, saying there was no demand.

But think, 30 years ago it would have entered nobody's head to go into a store and asked for a furnished wall [mebel'naya stenka]. Consumers did not even imagine that such an item could exist. If they had appeared they would probably have been bought out; there is nothing more convenient for communal rooms. The lack of demand does not mean lack of a need. In order to be convinced of the need for balcony furniture one only has to look at the facade of the nearest apartment building: home made tables, pedestals [tumba], shelves are piled up on almost every balcony. Because trade units have not put in massive orders for such items, their production cannot be mastered. Tsentrromebel' needs to exhibit samples at Interior to excite consumers. When they begin to enter stores looking for balcony furniture and write complaints, this will be the first visible proof of demand. Of course, consumers will obtain the new items, but with delays of at least 2 - 3 years."

V. Gel'man, chief of the Department of Forecasting and Assortment Renewal at the All Union Planning-Design and Technological Institute for Furniture, explained, "Practice shows that it is useless to pursue demand. Time will be lost while demand for a specific item is formed in the consumers' consciousness, it appears in trade, designers create plans which are approved and the item produced in series. Foreign firms do it differently: assertive advertisements create consumers' interest in models just entering mass production. Together with trade units, our furniture industry should create demand."

Our industry and trade are still dragging along behind. A few years ago the "Petro" style was in fashion. Now at republic fairs practically every enterprise feels it has a duty to display already out moded furniture with stitched patterns, intricate arms and bentwood legs. A fad got started for nonpolyvinyl light furniture and industry produced matted sets, suites "under the ash trees" "under the pines". Of course, it is easier to copy something than to create on one's own and discover a new direction, but is it necessary to always present strange fashions to our customers? After all, furniture should fit in to our apartments and conform to the circumstances of our lives.

Nobody would suggest an extravagant mini-palace to an old-woman or high heeled boots to a grandfather. Our furniture, on the other hand, is not designed for anybody. It is intended for areas (kitchen, living room, entrance hall, bedroom), but is not designed for specific customers.

Among the sets exhibited at the Tsentrromebel' Fair, one for young people produced by the PMO Bryanskmebel' clearly attracted attention. It was light toned, elegant, comfortable, multi-functional and flexible. It could transform

an area from a bedroom to an office, a living room or dance hall. It had a folding bed in the wall and wheeled stools. There were carefully arranged places for a TV, taperecorder, speakers, records and cassettes. The price is accessible, only it is impossible to buy it. The samples were bought out and that was all. It is more advantageous to sell smaller, more expensive sets. Neither can enterprises easily make such furniture, as it is labor intensive but cheap. The notorious gross output [val] once again turns out to be more important than the consumers' interests. Therefore, furniture which is genuinely for young people can still not be found in our stores.

The older generation is no better off, industry pays no attention to them at all.

It is statistically known that 1 out of 4 furniture users is an infant. There is an age-old tradition of making children's furniture. However, our country produces only a very modest assortment of furniture for children. The children's sets enjoying recognition among consumers can be counted on one hand: "Vasilek", "Rostok", "Ryzhik".... Studies show that every family tries to set aside an area for infants and, if possible to have a nursery. It is more comfortable for babies and better for their upbringing. Children's furniture is not simply things for sleeping and sitting and storing belongings. The growing generation's health depends upon them. As you know, sitting in a "grownup's" chair hurts a child's posture and restricts blood circulation in the legs. Children's furniture is also a tool for developing their intellects, work and sports skills. However, the Tsentrromebel' Fair in Moscow exhibited only one promising design for children's furniture: the "Tandem" set by the VPKTI Mebel' [All Union Planning, Design and Technological Institute for Furniture]. It immediately had fervent supporters and opponents, but the matter did not go beyond discussions.

While specialists dispute over what kind of childrens furniture there should be, parents can only buy trivial small chairs, beds and shelves. Less frequently there are children and juvenile items which, in the majority of cases, are distinguished from adult models only by their size and simplified decorations.

Paradoxical as it may seem, neither is it easy to find furniture for the statistically average customer, of average age and income and with an average apartment. As a rule, they seek furniture to replace items: They have obtained an apartment and want to fashionably decorate it; they have acquired a country house and are ready to fix it up with suitable sets. Therefore the statistically average consumer is quite capricious.

In the third section of the Interior Store I looked through comments customers had written in a notebook (each model displayed here has such a book). What comments! About colors and styles. Often they were contradictory, but customers were unanimous in one thing: they should be able to select items from large sets and arrange things to suit their own tastes. This is the way Moskomplektmebel' [Moscow Furniture Set] sells kitchen sets. This requires accurate estimates and disciplined supply. This is probably why industry and trade respond to the customer with a chorus of "No".

What is the furniture situation at the USSR Ministry of Trade?

Ye. Paramonov, head of the Department of Furniture Trade, reported, "In general we were satisfied with the fair's results. We had no special problems with purchases. There were complaints about soft furniture, there are many kinds, but the models are obsolete and uninteresting."

One can dispute this complacent attitude. Even if the bases have shipped out their stocks this doesn't mean that everything is normal. The main thing is that customers are waiting for the furniture of their dreams and it has been a long wait. Yes, we do produce good furniture: living room "Chervona ruta" (Ukraine); wall "Ptich'" (Belorussia) and "Viktoriya" (Lithuania); bedroom, "Sonata" (Moscow) and "Riyna" (Estonia); kitchen "Effekt" (Yugmebel'); dining room "Dubrava" (Ukraine) and soft furniture "Fianit" (Moscow) and "Iotule" (Lithuania). However, these are only pearls in an ocean of faceless mass furniture. Domestic sets of furniture produced by various enterprises using various designs (there are about 500 in use) are distinguished only by effective names. True, there is one fact of importance to customers: While previously they saw half empty aisles in stores, now they have the possibility of choice. The primary requirements for furniture are practically satisfied, and in some cities and regions overstocking can be seen. This is a signal that it is time for reorganization. Industry should produce models directed to specific customers and which anticipates demand. Trade should have new forms of dealing with customers, for example, selling items through catalogues and samples and the planned study of demands and needs.

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CSO: 1827/14

## CONSUMER SECTOR POLICY AND ECONOMICS

### ESSR LIGHT INDUSTRY DEPUTY MINISTER ON ECONOMIC EXPERIMENT

Tallinn SOVETSKAYA ESTONIYA in Russian 20 Oct 84 p 1

Interview by SOVETSKAYA ESTONIYA correspondent Ya. Tolstikov of G. P. Martirosyan, first deputy minister of light industry of Estonia: "The Ministry of Light Industry: "The Estonian Version" /

Text As is well known, beginning in 1984, a number of sectors of the country's industry have been carrying out an economic experiment aimed at improving the key factors of administration, expanding the rights of enterprises, raising their responsibility to the client, and so forth. Beginning 1 January 1985, a new large group of sectors of industry is being brought into the scope of the experiment. The Estonian SSR is beginning to implement the economic experiment for comprehensive improvement of the administration of production and sales of goods of light industry.

Our correspondent Ya. Tolstikov met with First Deputy Minister of Light Industry of the ESSR G. P. Martirosyan and asked him to answer a number of questions.

Question Georgiy Petrosovich, what are the goals of the experiment which is scheduled to be carried out beginning on 1 January 1985 in the republic, and how does it differ from the measures which are already being implemented in the experimental procedure in the Ministry of Light Industry of Belorussia?

Answer The final goal of the experiment is to expand the products lists, improve the quality, and increase the output of goods of light industry which are needed by the population, and on this basis to satisfy much more completely the population's demand for consumer goods of high quality and fashionable selection. In this connection, measures are being implemented to further improve the planning and economic incentives of enterprises, raise the responsibility of the republic Ministry of Light Industry for organizing the development, production, and sales of goods for the population, strengthen the interaction of industrial, trade, and supplies-sales associations, enterprises, and organizations, and raise the interest of labor collectives in increasing the effectiveness of production and satisfying the population's demand for goods of light industry.

The experiment in Belorussia has expanded the rights of enterprises; our experiment goes further--it expands the rights and also raises the responsibility for final results of labor and the ministry apparatus itself. In particular, the Estlegsnabsbyt Administration, belonging to the republic Gossnab, is being turned over to the republic Ministry of Light Industry, and thus the organization which provides the sector with raw materials is being brought closer to the enterprises it services.

There is more. By 1 January 1985, the republic should have also resolved the question of transferring from the authority of the Estonian Ministry of Trade to the Ministry of Light Industry specialized organizations for wholesale trade in fabrics, clothing, and footwear, and also a number of major trade enterprises, in order to organize on this base a network of chain stores for selling articles of light industry. Strictly speaking, one of the most important tasks of the experiment is creating in the republic a major industrial-trade complex to provide the population with goods of mass demand.

This complex will include a design-construction organization which will have the right of implementing the planning and construction of projects of light industry having a budget cost of up to 4 million rubles, and will serve to accelerate the rates of technical reoutfitting of the sector, reconstructing old enterprises, and erecting new ones. Previously we did not have this right, and questions of planning projects even of negligible cost had to be coordinated with union organs.

Question The system of planning is also being improved....

Answer The main indicator by which the activity of the sector and its enterprises will be evaluated is the volume of sales of goods coming from obligations for deliveries in the assigned selection, quality, and times of completion, in accordance with the contracts made. The total number of indicators planned from above is significantly lower--only three indicators remain. There will now be fewer of them even in comparison with the Belorussian Ministry of Light Industry. To put it another way, we are converting everything as much as possible from administrative methods of leadership to economic and organizational methods. Incidentally, this and a number of other measures of the experiment have been determined by taking into account the advanced experience accumulated by the industry of the GDR, Hungary, and Bulgaria.

Question The rights of ministries and enterprises are being expanded.... What are the concrete expressions of this?

Answer Now the overwhelming majority of examples of new fabrics, clothing, knitted wear, and footwear will be approved in artistic-technical councils of the enterprises themselves. A much smaller number than now will be approved in the ministry, and only an insignificant fraction in Moscow, in the All-Union Institute of the Selection of Goods of Light Industry. This measure will serve to accelerate the adoption of innovations in production and shorten the cycle of approving the documentation. Pricing will also be simplified. Establishing temporary wholesale and retail prices for new high-quality goods, and also lowering these prices under decreased demand, will now be done by the republic

State Committee of Prices. Opportunities are being expanded for establishing what are known as contract prices by agreement between an enterprise and a trade organization. These may now also be established when assimilating new equipment, for small batches of goods manufactured in the experimental procedure, and so forth. For example, if new equipment has come into a factory, the director himself, without waiting for approval of the documentation, can decide which items to produce, and at what price, deciding this question based on trade alone. As a result, the buyer wins--new products reach him much quicker.

There is one more innovation. An enterprise manufacturing finished goods can now spend part of its bonus funds for incentives to workers of related sectors which are delivering raw materials and supplies--regardless of the departmental affiliation of the related plant.

Question What possibilities does the experiment offer for expanding export?

Answer Here too the changes are significant. Before now we could only increase exporting by above-plan production, and then with the permission of the USSR Gosplan; now, however, the rights of the ministry are greater, we ourselves can plan in advance an increase in exporting--it will be separated from the total volume of goods (up to five percent) produced by increasing this volume, and the contract for sales will be concluded through external-trade organizations. It is especially important that when this is done, 80 percent of the currency receipts from selling goods above the export plan remains at the disposal of the ministry. These currency resources we can now spend ourselves for purchasing abroad technological equipment, new technology, instruments, materials, and other goods which are not produced in the USSR. The equipment or materials obtained will be used primarily to raise the quality of output and more fully satisfy demand. This measure too, in its final effect, will serve the interests of the Soviet consumer.

Question How are the material incentives of workers of the sector being linked with the final results of their labor?

Answer Specialists of enterprises may now receive by economizing on the wage fund an addition to basic pay of up to 50 percent--for additional growth of labor productivity and better satisfying the orders of trade for goods of light industry. Leaders and specialists of the ministry are given incentives in an analogous fashion. For workers of enterprises who possess high professional mastery, increased tariff rates--up to 24 percent depending on category--may be established by economizing on the wage fund, and for time-rate workers--increased salaries up to 230 rubles.

There is one more new development which Belorussia does not have. Our enterprises now may use the contract form of organizing labor. Contract brigades are created from a number of workers, engineering-technical workers, and employees, and will be involved in manufacturing goods needed by the population outside the limits of work time on the regular activity at a given enterprise, for example in the evenings or on days off. In the near future, jointly with the USSR State Committee Labor and Social Problems and the AUCCTU, we will work out the regulations for the contract form of organizing and paying labor.

This measure too is aimed at better satisfying the population's demand for goods of better quality and fashionable selection.

Question Preparation for the experiment has already begun. What will be required in order to implement it successfully?

Answer Each enterprise should carry out a deep economic analysis of all reserves of production, thoroughly study the conditions of the experiment, and bring them to the attention of every engineer, technician, and worker. Not one day should be lost. We must immediately set about realizing what has been planned in order to fulfill successfully the targets of 1985 and the 5-year period as a whole.

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CSO: 1827/32

## CONSUMER SECTOR POLICY AND ECONOMICS

### GOSBANK'S ROLE IN LOANS FOR GOODS TURNOVER ANALYZED

Moscow DEN'GI I CREDIT in Russian No 7, Jul 84 pp 37-39

[Article by M.D. Alekseyenko: "On the Planning of Credit for Trade"]

[Text] The growing scales of production and increasingly complex economic connections make even greater demands on the management of national economy. This, in turn, calls for the necessity of improving planning work in the national economy and, specifically, of a corresponding improvement of credit planning. In this connection, it seems advisable to look at the question concerning a more precise and economically valid determination of the necessity of trade organizations for credit.

The initial basis for calculating a planned volume of credit with respect to commodity turnover is basically correct, since part of the normative stock of goods in accordance with established procedure, must be covered by own working capital and the remaining part by Gosbank credit. However, the system of determining the planned volume of credit, contains, in our view, a number of shortcomings. First, the own working capital standard is part of the calculation. This, in a number of cases, is groundlessly understated since its planned increase is not taken into consideration. Second, not only is the own working capital of trade organizations and Gosbank credit involved in covering commodity stocks, but debts and other resources which comprise a significant quantity as well.

In accordance with existing procedure, Gosbank grants trade organizations credit with respect to commodity turnover above the standard for own working capital in goods which had been stipulated in the finance plan at the beginning of the quarter. In the granting of credit to trade organizations, an increase in the standard, which must be provided according to the plan and is actually provided for in the current quarter, is not taken into account. This is usually explained by features of the branch: the great dependence of end results and, consequently, also of the standard's sources of growth on demand fluctuations and the structure of commodity turnover within the quarter.<sup>1</sup> In our opinion, the profit of enterprises in a number of other sectors of the national economy, agriculture for example, depends on a variety of conditions of activity, primarily objective, even to a larger degree than in trade. This, in particular, is connected with natural conditions of agricultural production, the duration of the production cycle, the

irregular investment of funds and the even more irregular yield of output. However, agricultural enterprises are given credit, nevertheless, taking into account the growth of the own working capital standard which has been established according to the finance plan for the current quarter.

In addition, Gosbank periodically, and in planned amounts, transfers trade rebates to the current accounts of trade organizations. These rebates are intended for the covering of distribution costs and for profit formation and, consequently, for an increase in the own working capital standard.

In those cases where a reduction in the own working capital standard is envisaged in a trade organization's finance plan for the current quarter, the standard for the end of the quarter is used in granting credit from the first days of the quarter.

Consequently, both when there is an increase and when there is a decrease in the standard, it is used in the calculation in a minimum and constant during the quarter quantity. The surplus of own working capital as compared with this quantity remains at the disposal of trade organizations as an unaccounted for reserve.

Some economists think that the economic essence of the use of lowered standard is that, for the purpose of preventing financial difficulty due to the inopportune transfer of funds to increase the standard, as well as of creating conditions for the accumulation of a trade organization's own funds during a quarter, the right is granted to receive additional credit and the use of a reduced standard is considered a privilege when credit is given.<sup>2</sup> We do not share this point of view. First, it is necessary to imagine with complete clarity and definition that an unjustified easing of the conditions for its receipt and use leads to overindulgences in requests for credit and to its use for purposes which have a strong connection with the normal circulation of working capital. Second, the presence of the indicated reserve weakens interest in the economic use of funds and, thus, in the financial discipline of trade organizations. Third, in the overwhelming majority of cases the source, at whose expense the increase of the own working capital standard occurs is the profit of the trade organizations and not the reserves of higher organs.

Thus, by analogy with enterprises of other branches of the national economy, it is expedient, while giving credit to trade organizations, to take into consideration the standard of own working capital in goods with allowance made for its planned growth or reduction during each preceding month of the given quarter.

Economists are also considering the question of the expediency of accounting for debts when determining the planned volume of credit. We think that the existing procedure of giving credit to trade organizations on the basis of a special loan account independent of the presence of overdue loans is an important means of ensuring regular payments to suppliers for goods, as well as of timely settlements on other claims. One should also not ignore the fact that debt taken into account in determining the trade organizations' need for credit actually often deviates from the amounts established by the plan.

Finally, consideration of debt does not at all exclude the need of taking measures to lower its level. One should note that the existing system of credit planning provides for an accounting of debt when determining the planned volume of credit. However, debt is taken into account as a source of covering commodity stocks when a credit plan is being formed and the need of all the trade systems for credit is being determined. When each organization's credit need is determined, this method is ignored.

Funds in the form of debt which are in the turnover of trade organizations as an unplanned resource are usually used uneconomically and for needs not associated with normal circulation of working capital. Large sums of credit which the bank could have directed to the reproduction process needs of other branches of national economy are drawn into circulation above and beyond the actual need. In addition, overstating of the planned credit volume reduces the effectiveness of control by the ruble for fulfillment of the commodity turnover plan since, in the majority of cases, bank credit not liquidated in connection with the nonfulfillment of the commodity turnover plan, is not presented for a recovery and the minimum for a month used for covering economic shortfalls is essentially prolonged.

Thus, this is yet one more confirmation of the efficacy of considering debt when determining the volume of planned credit, especially as this is done in credit planning for the country's trade organizations as a whole.

It is impossible not to take into account the difficulties of including debt in the group of planned resources which participate in covering commodity stocks. Two basic directions are distinguished in the discussion being carried on in economic literature. The first concerns the correctness of the determination of the volume of debt subject to the consideration. Many different recommendations have been put forth as regards this.<sup>3</sup> Our point of view on this problem comes down to the fact that one should take into account the minimum amount of debt in the previous quarter since it is most probable that the trade organizations' turnover will carry debt in no less an amount also in the current quarter.

Gosbank's credit relationships with trade organizations are complicated also by the fact that the system for determining the planned volume of credit includes such an element as the planned stock of goods based on an additional target for commodity turnover. An additional target is not obligatory for trade organizations and their higher units and they do not have any real responsibility for its fulfillment. At the same time, this target is transformed in Gosbank's cash plan into a basic, obligatory plan, the results of the fulfillment of which have real significance.

Individual economists, in raising the question of the efficacy of including additional targets in the economic development plans, at the same time allow the possibility of establishing them "only in the course of fulfilling the annual plan and, as a rule, in connection with the overfulfillment of the production plan and an above-plan increase of the population's incomes."<sup>4</sup> Further, they draw the conclusion that, considering the stress of the plan for the production of a number of goods, it is possible that, in the near

future, it will be impossible to completely refuse additional targets for retail goods turnover.<sup>5</sup>

It is impossible, in our opinion, to agree with such an assertion. Practice shows that in each branch of the economy, in each enterprise and each economic organization, there are significant untapped possibilities for raising production efficiency and increasing product output. This is associated with an improvement in organizational structure and forms of management, an increase in the level of planning and the use of the total aggregate of economic levers and stimuli. This is why it was emphasized at the 26th CPSU Congress: "The plan is a law because only its observance guarantees the well-coordinated operation of the national economy.... Apparently, the time has come to heighten demands both on planning discipline as well as the quality of the plans themselves. A plan, assuredly, must be practical and balanced. But just as assuredly it must be fulfilled."<sup>6</sup>

#### FOOTNOTES

1. DEN'GI I KREDIT, No 5, 1981, p 50.
2. D.G. Naidich, "New Indicator in Credit Planning for Trade Organizations" in the book: "Finansovyye i ekonomicheskiye metody vozdeystviya na proizvodstvo" [Financial and Economic Methods of Influence in Production], Sverdlovsk, Sverdlovsk Institute of National Economy, 1975, p 140.
3. DEN'GI I KREDIT, No 2, 1974, p 66; No 7, 1975, p 49; No 11, 1980, p 53.
4. I.D. Slavnyy, "Some Questions of Money Circulation," DEN'GI I KREDIT, No 1, 1982, p 29.
5. Ibid.
6. "Materialy XXVI s'yezda KPSS" [Materials from the 26th CPSU Congress] Moscow, Politizdat, 1981, p 50.

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CSO: 1827/18

## CONSUMER SECTOR POLICY AND ECONOMICS

### CONSUMER SATISFACTION, NOT PLAN FULFILLMENTS STRESSED

Moscow IZVESTIYA in Russian 2 Nov 84 p 3

[Article by O. Latsis, doctor of economic sciences: "For the Indicator, or for the Customer?"; passages rendered in all capital letters printed in bold-face in source]

[Text] The statements of V. Patrushev and A. Chernichenko ("In Search of Lost Time," IZVESTIYA, No 278/279) seem quite important and pertinent to me. The population of our country loses billions of man-hours a year standing in lines. This is equivalent to the annual worktime of at least a few million people. I looked into a statistical almanac and found a table on employment in different national economic sectors: 4.5 million people in our country work in science and scientific services, 11.3 million work in construction, 12 million work in agriculture and 37.6 million work in industry. This gives us something to think about.

But here is my question: What is the purpose of the proposed, and certainly extremely necessary, discussion of this topic in a union newspaper? A few more shortcomings in the trade network could be pointedly criticized. Trade workers could be given a great deal of useful advice about necessary improvements in trade techniques obvious to any customer: better ways of locating stores, organizing their work, packaging goods, mechanizing labor, etc. But all of this has been said a thousand times. And is it possible that trade workers, specialists in this field, do not know more than the customer about all of this? And if they do know all of this and do not do it, it means that they do not want to. Therefore, we must first find out why they do not want to.

In Klaypeda, for example, there are no lines. For 30 years, the trade network there has been headed by Arkadiy Avadiyevich Likhtinshayn, a man who takes a great interest in his work and is actively supported by the party gorkom. But economists are justifiably suspicious of a guarantee of success as fragile as the personal factor, unsupported by an economic system. City N is lucky because the trade organizer there wants to work well--and does. But cities X, Y and Z are not lucky because the people there do not want to work well--and no one bothers them because there is no economic system for the absolutely irrevocable ejection of these people from trade. The existing economic machinery does not bother them, and they are more likely to get rid of a conscientious worker, especially if the city gorkom does not support him.

This is why V. Patrushev is triply correct when he speaks of INCENTIVE in his search for a systemwide solution. Trade workers usually have no incentive to give customers better service--and this is the entire matter in a nutshell. It is also true that long lines are rarely caused by product shortages. Furthermore, the shortages themselves, just as the long lines, are often due only to the negligence of trade workers. These are imaginary shortages, and not real ones: There is an adequate supply of the commodity in the country, but the trade network has made no effort to deliver it to all parts of the country. An indicative report on phillips screwdrivers was published recently: There was a "shortage" in the Kirghiz SSR and a surplus in Lithuania. Lithuanian enterprises could have supplied other networks and they even exhibited the screwdriver at an inter-republic wholesale trade fair, but the Kirghiz tradesmen did not take the trouble to order it.

Therefore, the diagnosis has been made and verified, and a cure is quite possible--all that is left is to take action. But here the economic logic suffers an inexplicable breakdown. V. Patrushev suggests that the problem be corrected by instituting "temporary evaluation indicators" of the performance of the trade and consumer service sphere--that is, in simple terms, indicators of how long we stand in line. But where is the guarantee that these indicators will be enough to improve the quality of service?

Here is a little example. A few days ago I was buying a watermelon in a Moscow store. There was a good supply of watermelons, the form of trade there was the most progressive--self-service--and there was no line. Therefore, if this indicator had been instituted there, it would have been a signal that everything was all right. But, my God, if there were a state standard specifically ordering that every single watermelon should be covered with unbelievably sticky dirt, it could hardly be done as diligently as in this store. After handling two or three melons I discovered that my raincoat was covered with dirt, and so were my hands, and I could not even imagine reaching into my pocket for my coinpurse. Should we then institute another indicator of neatness? And if so, then let us immediately also institute an indicator of courtesy. After all, we all know that some clerks are prone to utter such "blessings" that we do not want to buy anything.

Incidentally, the habitual boorishness and disrespect for one's fellow man in the stores are just as great a social evil as long lines. The trade network is the most pervasive and general place of interpersonal contact, and for some people it is their only form of contact. To a great extent, the behavior of everyone everywhere depends on the accepted style of communication in this network. And this style now depends totally on the goodwill of the clerk. If he does not want to be polite, he does not have to; no one will force him to. The customer and clerk are unequal parties: The customer needs something from the clerk, but all that the clerk needs from the customer is to be left alone.

The customer's only fragile defense is the notorious complaint book, the inaccessibility of which has been the subject of so many satires. I am afraid that they are out of date: Clerks are not afraid of this book. In one established Moscow department store I found this book in a box on the wall--just walk up and take it. Since I had nothing to do (naturally, I was standing in

line), I leafed through the book. What an exquisite sight! Each complaint was followed by a note signed by several witnesses swearing that everything the complainant said was a lie and that he had insulted the clerk himself. This is the simple technique used to doctor the complaint book. Any other indicator might be dealt with just as simply.

In the final analysis, what do we need--concern for the indicator or for the customer? This is the fundamental question. We could compound the number of indicators and regulate each of the worker's moves. This would mean that we are reconciling ourselves to his own lack of incentive and lack of initiative, for which no external form of control can compensate. But we could also see to it that each store worker wants to give the customer the best possible service--this would make indicators of time or courtesy or anything else unnecessary.

I cannot forget something I saw in a store in Prague about 10 years ago. It happened in an absolutely nondescript vegetable shop with a single clerk. I had already paid for my purchase and was putting it away in my bag when the clerk noticed that I had a bottle of vegetable oil I had bought in a neighboring store. She mildly reproached me, as if I were a regular and familiar client:

"Why did the gentleman buy this in another store? We sell it too."

Strictly speaking, this is all that we need: The clerk must want to see the customer in his own store. He will figure out the rest for himself: He will be concerned about the assortment, and about the length of lines and about courtesy. The existing commodity turnover indicator is enough to give the clerk this kind of incentive, but it must be used correctly.

The planning system is not merely a system of plan indicators. In addition to choosing a means of measuring the amount of work performed, it is important to determine by whom, how and why the measuring will be done. I feel that there are two main ways of giving the clerk an incentive to attract customers instead of driving them away, as is so often the case. FIRST OF ALL, THE TRADE ENTERPRISE AS A WHOLE AND EACH WORKER SHOULD STRIVE FOR MAXIMUM PERFORMANCE VOLUME. SECONDLY, NOT ONE STORE OR TRADE FIRM SHOULD HAVE A MONOPOLY AND THE RESULTING POWER OVER THE CUSTOMER. The customer should always have the possibility of a choice: Here I am given poor service, so I will go someplace else. There should be competition for customers, and this is more important than competition for the fulfillment of arbitrarily chosen obligations.

As for the first condition--maximum performance volume--it can be completely secured by the commodity turnover indicator. But the commodity turnover plan should not be set "from above" and stipulate bonuses for its fulfillment. This method of using plan indicators can turn the collective into a clever fighter for a reduced plan. If a store or a few of its departments close "for inventory" on the last day of the month, you can be certain that the plan was fulfilled ahead of schedule and they do not want to overfulfill it because the next plan will be stepped up. The wages of the collective should depend not on the fulfillment of a plan handed down "from above," but on the actual

amount of work performed. We will not go into the details here of whether the calculations should be based on a scientifically sound sectorial norm, an increase over the previous quantity or some other basis. These details are extremely important in economic practice, but they are a matter for specialists to decide. We should begin by agreeing on the general principle that wages will be paid not "for the plan," but for the actual performance volume, and without any restrictions on the augmentation of wages if the results of the work are augmented. The more you do, the more you will be paid. Whereas in other sectors of the national economy this principle is sometimes questioned on the pretext of worries that "excessive" wages will disrupt the commodity and money balance in the country, this does not apply to trade workers: An increase in the volume of commodity turnover is the most direct way of strengthening the commodity and money balance, and rewarding this increase can only be an advantage.

There could still be the worry that commodity turnover could be augmented by costly goods, with a disregard for the trifles we all need. What can we say, given the existing methods of planning it does turn out that vodka is obviously "more profitable" than tomato juice. But in the presence of real competition, the store will strive to carry an assortment of all the little things we need--not for the sake of their cost, but for the sake of the customer, who will otherwise not even enter the store and will not buy the expensive items.

Obviously, cooperative trade should be developed more vigorously and an extensive network of stores should be set up directly at industrial and agricultural enterprises. Furthermore, the network of the Ministry of Trade should include various trade firms competing with one another. We should not be preoccupied with specialization and enlargement and worry too much about the "duplication" of network stores.

There is no room in a newspaper article to discuss all sides of the matter--and I am not even trying to do this. The reorganization and stimulation of trade will certainly affect the trade network's relations with industry, agricultural, transportation and construction and will require changes there as well. But after all, this can only be for the better because these changes are fully in line with the experiments and scientific investigations our party is encouraging in every way possible.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### CRITERIA FOR REASONABLE CONSUMPTION EVALUATED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 5, Sep-Oct 84  
pp 902-909

[Article by V.F. Mayer: "Toward a Standard of Reasonable Consumption";  
passages rendered in all capital letters are printed in boldface or italics  
in source; numbers in brackets refer to bibliography]

[Text] Our country has entered the decisive period of the 11th Five Year Plan. Behind us are three years of intensive work on implementing the decisions of the 26th CPSU Congress. In 1983 the economic growth rates went up. The national income increased by 3.1 per cent, and the volume of industrial production by 4.0 per cent; at the same time the plan for growth of industrial production was overfulfilled. Production effectiveness has increased; productivity of social labor grew by 3.5 per cent, and tasks for growth of labor productivity were overfulfilled in industry and in rail transportation.

The plan for 1984 envisages a 3.1 per cent increase in national income, and a 3.8 per cent increase in industrial production. Production of consumer goods will increase by 4.0 per cent, and there will be a 6.4 per cent increase in agricultural production. It is anticipated that the intensive factors will play an increased role in developing the economy; growth of end results will outstrip growth in expenditures; the use of industrial capacities and fixed capital will improve; achievements of science and technology will be widely put into practice; and there will be further growth in labor productivity, by virtue of which 97 per cent of all growth in national income is anticipated [1].

As was noted at the December (1983) CPSU Central Committee Plenum, "ALL OF OUR EFFORTS IN THE ECONOMY ARE IN THE FINAL ANALYSIS DIRECTED TOWARD RAISING THE PEOPLE'S STANDARD OF LIVING. THIS IS THE MAIN SOCIO-POLITICAL AIM OF OUR PLANS" ["Materialy Plenuma Tsentral'nogo Komiteta KPSS. 26-27 dekabrya 1983 goda", Materials on the CPSU Central Committee Plenum, 26-27 December 1983. Moscow, Politizdat, 1983, p 17].

The plan for 1984 envisages further growth in the people's standard of living. Thus, a per capita increase in real income of 3.5 per cent is anticipated; average monthly wages for workers and employees will be increased to 185.5 rubles, or by 2.2 per cent; average pay for kolkhoz members will amount to 142.2 rubles, and will increase by 3.0 per cent.

Social consumption funds will grow by 3.7 per cent and will reach 139.5 billion rubles, while 109 million square meters of housing will be constructed, on the basis of all sources of financing. Goods turnover in state and cooperative trade will amount to 322.5 billion rubles and will increase by 54 per cent as compared to 1983 [1]. Measures adopted by the party and government in 1983 have permitted improving the supply of a number of food products to the populace. For the first time in recent years progress has been noted in animal husbandry. State purchases of meat, milk and eggs have increased. The feed base has been strengthened, and this makes it possible to count on further changes for the better.

Appearing at a meeting with the voters of the Kuybyshevsk Electoral District of Moscow, at the election of members to the Council of the Union of the USSR Supreme Soviet, CPSU Central Committee General Secretary, Comrade K.U. Chernenko stated: "Both our Food Program and the program for developing production of consumer goods and the services sphere, the development of which is continuing, are directed toward raising the people's welfare. A great deal is being done right now to expand production of good-quality popular goods" [PRAVDA, 1984, 3 March].

One of the urgent tasks in improving the people's material welfare is filling the market with goods, and total elimination of shortages of both goods and paid services. The complex program for developing production of consumer goods and the system of services to the populace (for 1986-2000), which is currently being worked out in accordance with CPSU Central Committee decisions, will be an important lever for solving this task. A twofold task has been brought forth to meet the ends of the complex program for developing production of consumer goods and the system of services: first, complete satisfaction in the near future of the effective demand of the populace for non-food items sold in state and cooperative trade, and paid services; and, second, completely satisfying the needs of the populace for these goods and services in the more distant future. At the same time it is taken into consideration that the task for supplying food products to the populace is being solved on the basis of the already-adopted Food Program of the USSR.

In getting down to specifics in the second of the tasks posed, the first question which arises is the interpretation of the concept of "complete" and "completely satisfying the needs." However, this question is not a new one, and science has already provided the answer: it can only be a question of mass needs, which are satisfied by reproducible goods, and of a reasonable level of consumption of such goods.

The conception of "reasonable" with respect to the nature of the process of consumption was utilized by the classics of Marxism-Leninism. F. Engels wrote, that socialism "by means of planned organization of all production will increase the productive forces of society and the products they create to such an extent that everyone will be assured of satisfaction of his reasonable needs, to an ever-increasing extent" [K. Marx, F. Engels, "Soch." (Works), Vol 19, p 113].

The meaning of the concept "reasonable needs" was vividly explained by V.I. Lenin. In "Gosudarstvo i revolyutsiya" [The State and Revolution], he labeled as "ridiculous" and "ignorant" the bourgeois criticism of the tenets of scientific socialism on distribution according to needs at the highest phase of communism. Receiving according to one's needs, wrote V.I. Lenin, does not at all mean "to receive from society without any control at all over the labor of an individual citizen, or any amount of truffles, automobiles, pianos etc"; distribution according to needs does not presume that "TODAY'S citizen, a good-for-nothing--like Pomyalovskiy's seminarians--can plunder the storehouses of the commonwealth and demand the impossible" [V.I. Lenin, "Poln. sobr. soch.," (Complete Collection of Works) Vol 33, p 97].

Of principal importance to us here is the interpretation of the concept of "needs", which V.I. Lenin essentially keeps within the bounds of reason: first of all, the concept of needs acknowledged by society does not extend to goods of limited usefulness, not produced on a mass scale (truffles, pianos, and at that time--automobiles as well), which at the then-existing level of development of productive forces society was not able to offer to the consumer in sufficiently large numbers; secondly, satisfying needs does not presume over-indulgence in consumption and is oriented toward the economical use of consumer goods resources both by society as a whole and by each of its members.

It was precisely on the above-mentioned propositions of F. Engels and V.I. Lenin that the authors of the concept of a rational consumers budget (RPB) for the populace based their ideas; this was to be the kind of selection of goods which would serve as a measure of the TOTAL SATISFACTION of the reasonable needs of the populace. RPB has received the recognition of wide circles of the scientific and practical workers as a promising planning instrument. Working out problems connected with this are of particularly current interest at the present stage. Speaking at the June (1983) CPSU Central Committee Plenum, Yu.V. Andropov also employed the term "reasonable", having pointed out that modern ideas of the standard of living should be oriented on what should be called "the standard of reasonable consumption" ["Materialy Plenuma Tsentral'nogo Komiteta KPSS. 14-15 iyunya 1983 goda" (Materials on the CPSU Central Committee Plenum, 14-15 June 1983), Moscow: Politizdat, 1983, p 13].

At the first approximation, the rational consumer's budget also represents, in our view, a model of reasonable consumption. In its outward form it appears to be a system of normatives for consumption and for supplying the populace with material goods and services which satisfy the material and spiritual needs of the people. The complex of normatives reflected in the consumption and expenditures of the populace examined by the RPB system is complemented by an aggregate of indicators for income, which at a designated level of prices ensures a normative level of consumption.

A method has also been worked out for including the normatives of rational consumption in a standard system of indicators and estimates in the state plan. This method permits determining the optimal structures of resources

for consumption, non-manufacturing capital investments, and the fund for the current consumption (expenses) of the populace, as well as its income; and it provides the opportunity to utilize RPB normatives not only for long-term planning and forecasting, but also in preparing and substantiating five-year plans--which, as is well known, are now broken down on a year-by-year basis.

There is quite a detailed description of the content and methods of substantiating RPB in literature. [Reference 2] provides its mathematical interpretation and describes a method for optimizing the structure of consumption (income) in future plans, based on the use of the system of normatives of RPB. However, the possibilities for using RPB have not yet been sufficiently illuminated; in particular, the questions of ensuring the REASONABILITY of the structure of consumption, and its rationalization in the process of growth of the material well-being of the people.

From the very beginning RPB was intended as a standard for reasonable consumption, which fully reflects the requirements for its level and structure on the part of the socialist way of life, and as a quantitative measure of reasonable needs. In this capacity the first practical application of the system of normatives of rational consumption was as an orientation for the development of production: its dynamics and structure in the framework of a long-term planning period should be formed in such a manner as to ensure, within a certain period of time, achieving the level and structure of consumption required (at the first stage) to satisfy the needs of the average consumer in accordance with the assigned normatives. The broad technical capabilities for precise solution of such types of planning tasks were revealed as planning estimates for intersectorial balance were put into practice.

Expanding the scale and reorganizing the structure of production is the first condition for ensuring rationalization of consumption. The second condition is "setting up" popular demand on a trajectory which leads to a rational structure of consumption. This setting up can be accomplished by means of changes in the correlation of prices for certain goods and groups of goods, supplemented by the necessary explanatory and agitational work, based on a genuinely scientific approach to propagandizing the ideas of reasonable consumption.

The economic development and growth of the people's well-being leads to a rise in the needs and to a change in the perception of their reasonableness. Therefore, the complex of normatives of RPB cannot be hardened, permanent and unchangeable. It must be regularly refined, renewed and reexamined. With the presently adopted system of long-term planning (the complex program for scientific-technical progress of the USSR for 20 years, broken down into five-year plans; the basic directions of economic and social development of the country for 10-15 years, also broken down into five-year plans; and the state five-year plan, broken down by years), preparation of all of these planning documents should precede the regular refinement of the autonomously developed normatives for rational consumption and provision. In this case the indicated normatives will be reflected in the appropriate planning documents, and will introduce the appropriate corrections to the previously-determined trajectories of the dynamics and structure of production and consumption.

Rational consumers' budgets, drawn up for families of different size and composition, whose members are employed at jobs of varying difficulty or who do not take part in social production, permit us to show the amounts of different kinds of income among the populace necessary for meeting their needs at a rational level; they also permit establishing the correlation of minimum income for the entire period to which the indicators of RPB pertain.

Finally, normative (rational) budgets, differentiated on a territorial cross-section (by union republics, major economic regions, etc), provide an opportunity to scientifically compare the level of popular consumption and supply, both with respect to specific consumer goods and to all of them in aggregate.

In this case the measure of equality or difference should be the degree of satisfaction of the corresponding needs or all of them in aggregate and not the direct comparison of per-capita consumption of certain goods in kind or according to cost, from the consumption fund or real incomes calculated on a per capita basis, etc. Such an approach is determined by the fact that for certain categories of the populace who live in different parts of the country the needs themselves are unequal; this is both because of natural-climatic conditions and (chiefly!) because of the varying demographic structure.

Work is presently underway at a group of scientific research organizations to compile such budgets. Successful completion of this work would provide greater prospects for further improvement in territorial planning for social development and for raising the peoples' standard of living.

From the foregoing it is obvious that the task of correctly evaluating the "reasonableness" of consumption is an urgent one, both from the standpoint of further improving the normative indicators, and from the measures for practical achievement of such normatives--in particular those proceeding from the complex program for developing production of goods and services.

The problem of evaluating dietary matters from the point of view of reasonableness can be considered solved, in principle. The need for food is objectively limited not only from below but also from above. This is expressed in practical terms by the fact that overeating is, as a rule, no less harmful than not eating enough. The science of economics and practical experience, when defining the needs of the populace for foodstuffs, rely on the achievements of biology and medicine which in our country have long ago made it possible to work out scientifically-based (physiological) norms for consumption of food products (proteins, including animal proteins, fats and carbohydrates), mineral salts, vitamins and energy. The norms of this kind which presently obtain were approved by the USSR Ministry of Health in 1982 for a cross-section of more than 50 population groups, differentiated according to age, sex, and nature of employment (difficulty of labor) [3].

Based on these norms, and taking into consideration the traditions and habits of consumption which have taken shape, a natural and substantive selection of foodstuffs is made, which ensures a completely balanced diet.

For the nation's entire population on the average, achieving a completely balanced diet signifies a certain reduction in the number of calories per portion, and an increase in it of proteins principally of animal origin, minerals, vitamins, and to a certain extent fats, with a reduction in the amount of carbohydrates. In practice this requires increasing the consumption of animal products, vegetables, fruits and vegetable oils, and reducing the amount of sugar, bread products and potatoes per portion.

Even now a certain portion of the populace is spending more for food than the amount predicated by the RPB. And this group will continually grow in proportion to their increase in income. It is primarily to this group that appeals should be addressed on observing the requirements of rational nourishment.

Another major group of consumer articles are alcoholic beverages and tobacco products. It would not be correct to consider the need for these items to be "false" or "irrational" as some authors do. They are entirely real, although they have a negative character which does not correspond to the ideals of the socialist way of life. They must be gradually eliminated both by means of the appropriate educational work, and through economic means: improving the composition of alcoholic beverages, supporting output of consumer goods which could take their place, and creating conditions for completely satisfying the demand for all other goods.

Paid services are still another group of goods, which are acquired by the populace at the expense of one's individual budget. And although at the present time their level of consumption is to a very significant degree below par, the possibilities for expanding actual consumption beyond the rational normatives are extremely limited. The chief limitation in this case is--time. As a rule, one cannot simultaneously utilize two or more services; one can receive them only in one's free time off the job and in satisfying the physiological requirements of time.

The limitations of reasonable and relative needs for housing have been explored quite closely. In the course of the next two or three decades one's perception of the standard of rational needs for housing is not likely to change--this means separate accommodations (an apartment, or a house) predominantly with a room for each member of the family. The upper limit of needs in this area is the availability of a second house, especially for those who reside in large cities.

Less precisely outlined are the limits of actual needs for non-food items. The rational limits of one's wardrobe of clothing and shoes, taking into consideration one's activities in sports, tourism, work around the household and so on, and replacing these items because of physical wear and tear are easily subjected to appraisal. The one significant element in the lack of precision in the given appraisal is the changes in styles which bring about the "obsolescence" of such goods.

Items belonging to the family, which satisfy exclusively material needs, can be measured with even more precision: furniture can occupy only a certain portion of one's living space, and hardly anyone would keep an extra refrigerator, washing machine or sewing machine. At the same time it is very,

very typical, that appraisal of actual needs for articles which satisfy peoples' cultural and spiritual needs is highly theoretical; such items are books, musical instruments, radio and TV equipment, personal computers, etc.

Indeed, apart from attempts to quantitatively appraise one's actual needs, there exists the problem of determining both for the near future and for the more distant future the structure of production of consumer goods and consumption, in proportion to the growth of its average level. The income of the populace, and its average level is increasing steadily. In this connection, there is an increase in demand both for material goods and for paid services. Production should satisfy this reasonable demand. The question is asked--at the expense of what? The normative structures, setting aside for the time being the problem of correlation of normative indicators with demand, provide the answer to this question. At the same time they indicate the extent to which the trends for change in the structure of consumption which were formed in the past, are subject to breaking up.

Over a 20-year period (1961-1981) goods turnover in state and cooperative trade grew, on a per-capita basis, by a factor of 2.8; which includes a growth factor of 2.3 for food products, 3.1 for other food items, and 3.0 for non-food items [Reference No 4, pp 432-434; No 5, pp 582-583]. Consumption of non-food items at the same time was increased in accordance with growth in sales, but consumption of food products increased to a lesser degree, since quite a significant portion of the food products consumed are not purchased through state and cooperative trade. The absolute size of such dealings has changed little, but their proportion has been significantly reduced.

Whereas the average elasticity of the purchases of food products, of average per-capita expenditures for goods, amounted to 0.82 for the 20-year period, the elasticity of consumption was 0.57 in all. At the very same time elasticity of purchases (and correspondingly, consumption), as an expression of total expenditures for other food products averaged 1.12, and 1.08 for all non-food items. And at the same time, for such traditional groups of goods as clothing and linens, elasticity of purchases as an expression of expenditures was about 1.0; 0.91 for shoes; while that for radio equipment for example was 1.62; for electrical appliances 1.89; for passenger cars (for the 15-year period since 1965), 4.95, with growth in sales volume of almost a factor of 37! (calculated according to [Reference No 4, pp 5, 432-434; No 5, pp 582-583; and No 6, p 593]).

Achieving the normatives for rational consumption assumes continuation of established growth trends in purchase of food products in state and cooperative trade. According to our estimates, the elasticity of this indicator, based on per-capita expenditures for all goods, is growing somewhat. As far as other food items are concerned, the line for limiting the consumption of alcohol is fundamentally changing the nature of the indicators of elasticity, the coefficient for which should decline sharply.

For non-food items as a whole, elasticity will rise. For clothing and linens it will be somewhat below average, and for shoes a great deal lower. At the same time, elasticity for radio and electrical appliances will remain

high, as before; although it will also decline, the elasticity of automobile purchases as an expression of total expenditures, will also be high. Likewise, there should also be significant growth in elasticity of purchasing printed materials and sporting goods.

In forecasting the structure of consumption and appraising its rationality, comparison with other countries, both socialist and capitalist, may prove useful to a certain extent. If one should turn to the structure of consumer expenditures in the USA, one would find the characteristic of a relatively low proportion of expenditures for food, with a comparatively high share of expenditures for housing and home maintainance; for medical care; for personal transportation (automobiles) and the accompanying expenses; and finally, for tourism and excursion trips. These four groups, comprising the predominant share of all expenditures, have until recently grown rapidly, and not only in absolute terms but also in terms of proportion.

Differences in a society's economic system, social conditions, and way of life do not provide a basis for copying the structure of consumption and expenditures of the populace of the USA. However, useful conclusions can be drawn from studying it.

Thus--our medical services are traditionally free, and there is no reason to reject this achievement of Soviet rule. But increasing the amount paid for housing could become a broad additional channel for expanding expenditures by the populace; this would permit changing it into an element of commodity supply from the monetary income of the populace, and an object of distribution according to labor, while at the same time appropriately increasing the growth rate of income. The significance of other channels of popular expenditures is also increasing. These could also include further expanding production and increasing sales of automobiles and the goods connected with them. For a long time we have been producing more steel and extracting more oil than anyone else in the world, and if we desired we could without great difficulty double, or even triple the production of motor cars; the moreso, since it is not a question of two or three years and not even that of the coming five-year plan, but one of three or four five-year plans.

Objections to private automobiles should not be taken seriously when they are based on the premise that a car is not, as they say, one of the necessities of life. It is true that the first priority task is to satisfy the needs of the populace for food, clothing and shoes. However, it is not possible to solve the problem of continuously growing demand, in accordance with increasing income, simply by developing their production. Although one's needs are elastic, they are part of an interrelated system: growth in satisfying some requires increasing the supply of others. One-section of certain needs the overall degree of their satisfaction to the proper degree.

In accordance with the expansion of popular needs and expenditures, their composition should be modified and enriched and new, progressive elements should be introduced. It is precisely in this that the action of the law of increasing needs is displayed. Such new elements in the composition of consumption are already envisaged in the elaborations of the RPB which have been worked out. The matter depends on gradually putting them into effect.

Significant expansion of the manufacture and sale to the populace of cultural and domestic goods and new types of ordinary household items is very promising: this includes bicycles, sailboats and motorboats, snowmobiles, instruments; non-traditional household items such as freezers, instruments for controlling and regulating the process of home cooking, mechanized equipment for working in one's vegetable garden; and new cultural and domestic items (video tape recorders and players, telephone answering devices, and so on and so forth).

The populace has the capability of contributing much more funds for building cooperative and individual housing, and cooperative garages and parking places for their vehicles. Further development of gardening associations could make a great contribution; specifically, by virtue of expanding sales to the populace of lumber and construction materials; plant sets and seeds, and arranging the use of public transportation to haul loads.

The prospects for development of excursion trips and travel, and goods for tourism are enormous: in the future this category of expenditures can occupy an important position in the expenditures of the populace. Sales of printed materials to the populace can also be significantly expanded; specifically, the works of literature which have become almost impossible to get.

In this connection it should be noted that letters regularly appear in the press in which the authors call for limiting the production and sale to the populace of one type of consumer goods or another. Each of these suggestions, taken one at a time, would appear to be quite harmless; but if all or most of them were carried out, then instead of increasing production, goods turnover and consumption, we would have a sharp reduction and, instead of growth, there would be a decrease in the material wellbeing of the people.

In an attempt to justify, for example, the severe shortfall in publishing books, a special "conception" has even been created, in accordance with which the demand for books has two forms: a "reader's" demand, which can be satisfied with the aid of libraries, and purchaser demand, which need not be met.

There is nothing unexpected and negative in the sharply increasing demand for books. The cultural level of the people is growing continuously, and universal secondary education has been introduced for the nation's youth. From 1960 through 1980 the population's real income has grown, calculated on a per capita basis, by a factor of more than 2.3; while average wages for workers and employees has increased by 2.1; and compensation of kolkhoz members by more than a factor of 4.0. It would seem that under these conditions the production of books, a highly-elastic item, should grow at least at a rate commensurate with the rate of increase of the population's income. And in fact the production of books and pamphlets has grown from a rate of 5.8 copies per person in 1960 to 6.6 in 1980, or by 14 per cent [Reference No 4, pp 36-37; No 5, pp 58, 519].

The availability in the population's budget for consumption of a sufficiently large portion of goods which satisfy cultural and spiritual needs, and the systematic increase of their proportion in consumption,

is one of the requirements for a culture of reasonable consumption, and an indispensable element of socialist civilization. Satisfying reasonable demands of constantly increasing dimensions presumes not only growth, but above all qualitative improvement of the structure of consumption, and comprehensive development of its progressive elements.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### RUTGAYZER REVIEWS SARKISYAN BOOK ON NATIONAL WELL-BEING

Moscow PLANOVYE KHOZYAYSTVO in Russian No 9, Sep 84 pp 125-126

[Review by V. Rutgayzer, doctor of economic sciences, professor, of book "Narodnoye blagosostoyaniye v SSSR" (National Well-Being in USSR) by G.S. Sarkisyan, Ekonomika, Moscow, 1983, 280 pages: "Problems of Improving the National Well-Being"]

[Text] The comprehensive study of problems pertaining to the national well-being in the USSR and definition of the place of the theory of national well-being within the system of economic sciences constitute an important theoretical and practical task. Its accomplishment is of great importance for the scientific supervision of social development and selection of the criterion for scientifically assessing trends in the changing level of the national well-being.

The monograph reviewed here is of interest in this respect. It studies the conditions underlying the changes occurring in public demands and raises a number of complex and little-studied questions. For example, the author analyzes the role and the place of the nonproductive sphere and of services as a whole in public reproduction. The author correctly points out that the indicators of production effectiveness (public product, national income and end product) used in planning and statistics do not reflect the aggregate results of public production and do not make it possible to completely define the level to which the demands of the society's members are being satisfied. They mainly describe the degree to which demands having to do with the development of material production are being satisfied and do not include services in the nonproductive sphere, a considerable portion of which are objects of consumption.

In the author's opinion, we must have a new quantitative criterion for assessing the main specific result directly related to the realization of production's highest purpose, i.e. the fund for the well-being and all-around development of the individual, which includes all items of consumption produced in the society, both in the form of the necessities of life and in the form of services. All services in the nonproductive sphere must be taken into account. One cannot agree with the author's proposal, however, since along with establishments providing services to meet the personal needs of the population, the nonproductive sphere also includes establishments for management, science and scientific servicing. It is our opinion that the total volume of objects of consumption

forming the fund for the well-being and all-around development of the individual should not include the results of activity in science and management, since these cannot be considered as objects of consumption.

The book points out that the use of nonproductive accumulation for each period is expressed in a specific volume of services, and their summation produces a double count. What the author probably has in mind is the recording of wear and tear of fixed nonproductive capital, which is adequate for including the depreciation of fixed productive capital in the cost of objects of consumption. These are different processes, however. The depreciation of fixed productive capital is a part of production's material outlays. Wear and tear on fixed nonproductive capital is compensated for out of the national income, and the corresponding funds are added to the consumption fund. The nonproductive accumulation fund is also separated from the total national income volume. According to the author, this recording of the elements as a part of the national income is unacceptable because it results in a double count. In fact, however, no double count occurs.

The book stresses the idea of making certain changes in the structure of the national economy to the benefit of the nonproductive sphere. These include, among other things, the redistribution of labor resources, changes in the structure of the overall consumption fund in the national income and of capital investments, and the expansion of nonproductive construction, particularly housing construction. The increase in housing construction calls for a future redistribution of national income funds for the benefit of housing construction. It is also important to achieve more efficient use of capital investments. Housing construction itself is not always effective or economical, however, and losses of material and labor resources in housing construction are great. Unfortunately, these matters, which must be resolved in order to reduce housing construction outlays, did not draw the author's attention and were essentially not explained.

In the monograph a considerable amount of attention is given to the study of the problem of developing paid services. At the end of the 70's and the beginning of the 80's they accounted for 9.8 percent of the consumption budget for the population of the USSR (not counting free services and accumulations). This figure should be increased to 17.5 percent in a rational consumption budget based on scientifically well-founded standards. The present level of satisfaction of the population's demand for paid services is only 27 percent of rational standards. This is far below the level achieved with respect to satisfying the population's demand for food products and non-food goods.

The author suggests that the volume of paid services must be increased approximately 4- to 4.5-fold over the present level to provide for rational standards of consumption of paid services, with future growth of the population in mind. This will require improving effectiveness in the use of capacities accumulated in the non-productive sphere, improving the management machinery, involving ministries, departments, associations and enterprises in the organization of the servicing process, and significantly enlarging the authority and duties of the local soviets.

The lower level of development of paid services than that achieved for the use of other benefits is the cause of non-uniform satisfaction of the people's diverse demands. Because of this we have to agree with the author that in the future the overall improvement of consumption will involve an increase in the specific portion of outlays for paid services.

A direct comparison of the level of monetary outlays by the population for specific consumption items with the rational standards equalizes, as it were, the importance of various needs. It is obvious, for example, that outlays for food are considerably more important for the consumer than outlays in the same amounts for paid services. Consequently, the social significance of needs must be defined in addition to their monetary evaluation. The author ranks demands and defines the degree of their urgency for this purpose. His proposals for comparing the actual structure of demand satisfaction with rational standards do not accomplish the task, however. They only make it possible to assess the degree of uniformity or non-uniformity in the satisfaction of various demands. With this kind of comparison one cannot draw a conclusion as to differences in the degree of urgency of specific demands. If all needs are satisfied to an equal degree, for example, this means that they cease to have different degrees of urgency for the consumer. In our opinion, it is essential to make a direct (nonmonetary) comparison of the importance of the different needs.

G.S. Sarkisyan states that the more urgent a specific need is, the less the satisfaction of that need differs among various income groups of the population. Differences in the degree of satisfaction are a real reflection of the unequal urgency of individual needs. Differences in outlays for food for the various groups of consumers can be measured by means of variation factors. If we take as a unit the degree of difference in outlays for food as an indicator of the urgency of the need, the need for other items can be described in fractions of a unit. It then becomes possible to assess the urgency of various needs and outlays for specific items.

In certain cases, assessments of the urgency of satisfying the population's needs may differ even with identical monetary assessments of the population's overall consumption. This occurs because there are different degrees of benefit from consumption aggregates which are equal in cost but differ in structure. It is obvious that when there is a high degree of satisfaction of relatively more urgent needs, the overall level of benefit is also higher. We must therefore consider the degree of urgency for the satisfaction of specific needs, along with achieving scientifically based standards, for defining ways to improve consumption. In our opinion there appears to be greater justification for orienting this process of altering the consumption structure toward achieving the maximum possible benefit. Put into practice, this would mean giving priority to satisfying food and housing needs, followed by needs for clothing and footwear, needs for cultural and personal items after that and finally, demands for paid services. A study of the population's actual consumption indicates precisely this relationship of priority given to the consumption of various goods and services (when assessed on the basis of variation factors for the population's average per capita monetary outlays among the various groups of the population). This book correctly notes that this must be taken into account for improving consumption.

The satisfaction of the population's constantly growing demands depends upon rates of development of the economy as a whole. The extent of annual increases in resources for consumption and nonproductive construction for maintaining the present level of the population's well-being and raising it must take into account such factors as growth of the population and its changing structure, and the increase in funds channeled into new social measures (increasing wages, improving pensions and so forth).

In general, G.S. Sarkisyan's monograph constitutes an important contribution to the study of problems involved in improving the national well-being and is of considerable theoretical and practical importance.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### MOSCOW TV REVIEWS CONSUMER COOPERATIVE TASKS

OW130525 [Editorial Report] Moscow Television Service in Russian at 0835 GMT on 8 December carried the 30-minute "Political Observer's Talk" program with L. A. Voznesenskiy. Voznesenskiy interviews M. P. Trunov, chairman of the board of the Central Union of Consumers' Cooperatives.

Voznesenskiy begins by asking Trunov how the consumers' cooperatives differ from other organizations in the country. Trunov responds that the cooperatives are both "public" and "economic" organizations, based on "collective ownership." He says that the activity of the cooperatives "is connected mainly with serving the rural population, kolkhozniks, sovkhоз workers, and intellectuals. The consumers' cooperative is a kind of connecting link between the cities and villages. It supplies agricultural produce and food products to the cities and manufactured goods to the rural population."

In response to Voznesenskiy's request for more details about the functions of the cooperatives, Trunov says they are "multibranch" organizations that deal in trade with the rural areas. He says "about 30 percent of the country's trade turnover" is handled by the cooperatives, that they organize "public catering in the villages," and buy raw materials. Trunov says the consumers' cooperatives buy "more than 60 types of agricultural products. We buy over 50 percent of the potatoes, one-third of all fruits and vegetables, about 60 percent of the wool, and many other types of products."

Trunov says that industrial enterprises also belong to the consumer cooperatives, and that they produce "almost 8 billion rubles' worth of goods." He says "about 40 percent" of the country's bakery products are produced at cooperative enterprises and that other goods are produced as well. Trunov says the cooperatives are building their own "material and technical base" and that they are involved in the "international cooperative alliance."

Trunov and Voznesenskiy go on to discuss some successful examples of enterprises belonging to the consumer cooperatives, with a video report on a farm in Tonshayevskiy Rayon. Trunov says that while there are many enterprising workers "not everybody uses the possibilities that exist" in "almost every rayon" in the country.

Speaking of the flexibility of the consumer cooperatives, Voznesenskiy observes that "it is very important now that there be no restrictions of any kind" placed on the activities of the cooperatives and that "within the limits of the state plan and state management of the economy on the whole" there should be sufficient latitude for the work of the cooperatives "and for free creativity, if you like."

In discussing the difference between trading done by cooperatives and trade in general, Trunov notes that cooperatives sell farming implements and building materials to rural inhabitants that own their own plots and houses. Speaking of the sale of building materials, Trunov says "there are still problems in this field." He said "not all the building materials are sold in sufficient amounts," but the Central Union of Consumers Cooperatives has developed a program to provide services "like assisting in house repairs, home delivery of goods, and so forth" for rural inhabitants. Continuing, Trunov says that rural inhabitants are making more money now and are beginning "to make demands for consumer goods similar to those of city dwellers."

Voznesenskiy then introduces a video report on consumers' cooperatives in the village of Uzlovoye in Lvov Oblast. The report carries the comments of Komsomol Tatyana Lysak, seen behind the counter in a store, who complains that the delivery of goods is irregular, hardly anything is received in the first half of the month, then everything ordered during the month arrives in the last 10 days. She adds that there are "complaints about the quality of goods," and that rural inhabitants are as well aware of the quality of goods as city dwellers. She displays several examples of clothing that will not sell, saying "the shelves are heavy with goods and there is nothing to offer the customers." The video report then shows a sales clerk at the food store, who notes that there are "difficulties" with the packaging of staples like sugar and macaroni. She says the goods come in such large packages that they are difficult to sell.

Trunov admits that the complaints of the clerks "are justified," and that "there are still many defects in the wholesale trade." He says people living in villages must go out of their way to buy things, that changing sales trends are not always considered, and that there are justified complaints" about packaging. Regarding the complaints about packaging, Trunov says quite a bit of work is being done but there are great expenses involved "and often there are no appropriate conditions for performing the job well."

Voznesenskiy then observes that "one of the most urgent tasks facing the consumers' cooperative" is expanding trade to small villages. He says: "I have seen figures. It appears that there are no shops at all in 178,000 populated centers, and you are the only hope."

Trunov responds that there are "17 million people" living in areas where there are no trading enterprises, no consumer services, and no medical centers. He says this has caused "great damage and contributed to higher rural migration." Trunov says the consumers' cooperatives plan is to build more procurement centers and to provide "mobile stores." He concedes that there is "a considerable amount of work" to be done to better satisfy the needs of rural population centers.

Voznesenskiy and Trunov then go on to discuss the agricultural products that consumers' cooperatives buy. Trunov says that the cooperatives buy "surplus agricultural produce" from kolkhozes and sovkhozes after they fulfill the state plan and for other people at "agreed prices."

Voznesenskiy then remarks that city cooperative prices are higher than the prices in state stores, to which Trunov responds that goods sold in state stores are subsidized, whereas the cooperatives have to cover their own expenses. Asked if there was any possibility that prices in the cities might be lowered, Trunov says that it depends on the volume of procurements. Trunov says that the purchasing network is not yet "sufficient," but during the current 5-year period "10,000 procurement and reception centers" have been organized and that the goal was to organize an additional 60,000 seasonal centers. Trunov notes that "this is not sufficient" to purchase all the produce being offered.

Regarding purchasing and distribution problems, Voznesenskiy notes that in one of his articles Trunov points out that "one million tons of apples" go to waste annually, either rotting away or, at best, being partially used as fodder because of the shortage of procurement centers. Trunov agrees that there are "many problems in this respect," and that seasonal and mobile procurement centers are organized to deal with the problem. Even still, he says "there are many problems here as we do not have a sufficient number" of cross-country vehicles to service centers with no paved roads, but that in the 12th 5-year plan there will be a procurement center in "every village."

Trunov then discusses the problems of processing agricultural produce, noting that the centers built to perform this task were built "20 or more years ago" and need to be reequipped and modernized. He says steps are being taken to deal with that and there is a program to bring processing enterprises as close as possible to the places where agricultural products are produced.

Trunov concludes with a discussion of problems to be discussed at the coming consumers' cooperative congress.

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## PERSONAL INCOME AND SAVINGS

### OVERVIEW OF INSURANCE PROTECTION BENEFITS PRESENTED

Moscow FINANSY SSSR in Russian No 8, Aug 84 pp 41-45

[Article by E.T. Kagalovskaya, candidate of economic sciences, senior scientific associate with the Scientific Research Institute of Finance: "The Mechanism by Which the Life Insurance Fund Is Formed"]

[Text] When working with the public the insurance worker is most frequently asked two kinds of questions: Would it not be better to save a certain amount of money by using the services of a savings bank and not those of Gosstrakh [Main Administration of State Insurance] agencies? Why is life insurance necessary, when there is an extensively developed system of state social insurance and security? In order to answer these questions competently, one must study the mechanism by which the life insurance fund is formed and compare it with funds created by savings banks and the system of state social insurance and security.

We know that money has to be saved in advance to satisfy certain needs. This applies not just to the acquisition of expensive durable goods, but also, as an example, to maintaining the achieved level of well-being after retiring with a pension, providing assistance at the birth of a child and helping growing children. Elderly people frequently try to save a certain amount of money to cover funeral costs and the like.

Either savings banks or Gosstrakh can be used for saving the money to satisfy these needs. The nature of these needs makes insurance a more natural choice, however. It simplifies the process of saving the money. Very frequently the stipulated amount is paid in full, even though not all of the premiums have been paid. Under a combined life insurance policy, for example, the total amount of insurance may be paid when the insured party dies a year or two after obtaining the policy, let us say, and it significantly exceeds the total premiums paid during the 2 years. Under a marriage insurance policy the entire amount of insurance will be paid for the wedding, regardless of whether the insured party is still alive at that time and consequently, regardless of whether he has succeeded in paying all of the premiums.

Under certain circumstances Gosstrakh guarantees payment of the amount specified under the policy, while a savings bank does not assure that the amount will be saved. The amount of money received from a savings bank cannot exceed the

amount of money deposited. It is the job of this institution only to protect the depositors. The balance of deposits in savings banks consists of the automatic total of individual deposits.

A characteristic feature of insurance lies in the redistribution of funds of the entire group of insured parties for the benefit of those to whom something has happened which is covered by insurance. This sort of redistribution of funds among the depositors does not occur in savings banks, whereas precisely these funds provide the financial basis for guaranteed payment under an insurance policy.

The size of deposits made at a savings bank depends entirely upon the depositor's wishes and his capabilities. The premiums paid by insured parties into the life insurance fund depend upon more than this, however. While proportionate to the insured amounts, the size of the premiums is strictly defined. They are calculated by means of a special branch of mathematics and statistics--actuarial calculations theory. This precise specification of the objectively required premium is necessitated by the fact that there is a redistribution of funds when the insurance fund is used, and the operations will remain stable only when the premiums are correctly calculated. To put it in somewhat more simple terms, premiums paid into the insurance fund are equal to the probability of the occurrence of an event covered by insurance multiplied by the insured amount. The basic rate could therefore be called the insurance fund in minature. It is the embryonic insurance fund. Multiplied by the number of insured parties and the amounts of insurance, the basic rate becomes the insurance fund.

Life insurance is frequently treated as savings. The essence of insurance operations is not altered by the fact that in some cases the population uses life insurance to build up savings for special purposes, however. Even when the insured party signs a contract for savings purposes without being involved in the insurance specifics, he is still participating in the redistribution of funds, albeit involuntarily.

The insurance redistribution of funds is made especially graphically apparent by a detailed analysis of the insurance fund structure. The total insurance fund on the state scale is comprised of individual funds for groups of similar insurance policies.

Let us take a look at a combined life insurance policy covering a period of 5 years, as an example. Combined insurance is treated as savings especially frequently. In this case benefits are paid not only when the effective period of the policy has elasped, but also if death occurs at some time during that period. The amount of insurance is thereby paid on each policy, and the process of redistribution of funds is not noticeable. It does occur, however. In order to see the process, the insurance fund should be broken down into its basic components and studied as such.

The insurance fund guaranteeing that Gosstrakh is capable of paying the amounts of insurance specified in combined life insurance policies is comprised of the sum total of three funds: 1. a survival benefit fund, 2. a death benefit fund, and 3. an insurance fund from which benefits are paid in the case of disability due to injury.

Each fund provides for the insurer's fulfillment of the corresponding commitments to the insured parties and is created out of a specially designated portion of the gross rate. The net rate for combined life insurance is therefore made up of three parts: 1. net rates for survival, 2. net rates for death, and 3. net rates for disability.

In the annual gross rate for an individual 40 years old under a five-year insurance policy for 100 rubles, the net rate for survival benefits is 18 rubles and 6 kopecks, the net rate for death benefits is 39 kopecks and the net rate for disability benefits is 32 kopecks.

Survival policy benefits come out of the survival fund, and death policy benefits are made out of the death insurance fund, although this is not apparent from a superficial glance.

The survival insurance fund, in turn, consists of numerous insurance funds by groups of policies for each starting age and each insurance period. The fund which covers death consists of the same large number of insurance funds.

Let us take a more detailed look at the way the survival insurance fund is formed. There is a reason why its formation process cannot be described by considering the individual policy. We need to consider a large aggregate of policy owners. When we observe the mechanism by which the insurance fund is formed, we can see how the money is redistributed within this aggregate of individuals.

Let us assume that survival insurance policies are purchased by 100,000 40-year-old citizens. Using a mortality table, we calculate that 97,280 of these individuals will still be alive in 5 years. The total survival benefits will be paid to them. All of the insured paid premiums into the insurance fund, but 97,280 individuals--that is, the majority (97 percent) of the insured, but not all--will receive the total insurance benefits.

In this case we are not referring to combined life insurance but only to survival insurance, death benefits will not be paid. Those who did not survive to the end of the insurance period (2,720 individuals) will therefore be paid nothing. Their insurance premiums have been redistributed for the benefit of the survivors. For this reason and because the USSR Gosbank charges a certain percentage for holding the temporarily free premiums paid by the insured parties, the total net survival insurance premiums will be considerably less than the total amount of insurance.

And so, the main insurance principle is carried out in the case of survival insurance--payment is made only when there is an occurrence covered by the insurance. The occurrence covered by insurance in this case is survival to the end of the policy period.

Theoretically, survival insurance could exist in pure form. It so happened that death insurance was added to it, however, and the result was combined life insurance. This is a purely mechanical linkage, since the death benefits are paid out of a fund specially created for that purpose. This fund is created out of a specially designated portion of the gross premium. It is 39 kopecks per year in our example.

While survival benefits will be paid on the majority of the insurance policies, death benefits will only be paid on 2,720 out of 100,000 policies. Due to the relatively small number of benefits paid the net premiums for insurance covering death are not high.

Since death benefits are paid out of the fund for a relatively small number of policies, the redistribution of the funds collected from all the policy holders for the benefit of those who have experienced an occurrence covered by insurance ordinarily meets with no objections on the part of anyone.

It is apparent from the example cited that death benefits have no relationship to the survival insurance fund. The mechanical linking of the two insurance funds (survival and death) results in a situation in which the amount of insurance is paid on each combined life insurance policy. The process of fund redistribution is not apparent as a result, and the life insurance turns out to be something like savings: One receives exactly as much as one has paid in, after subtracting the percentages and the cost of running the operations.

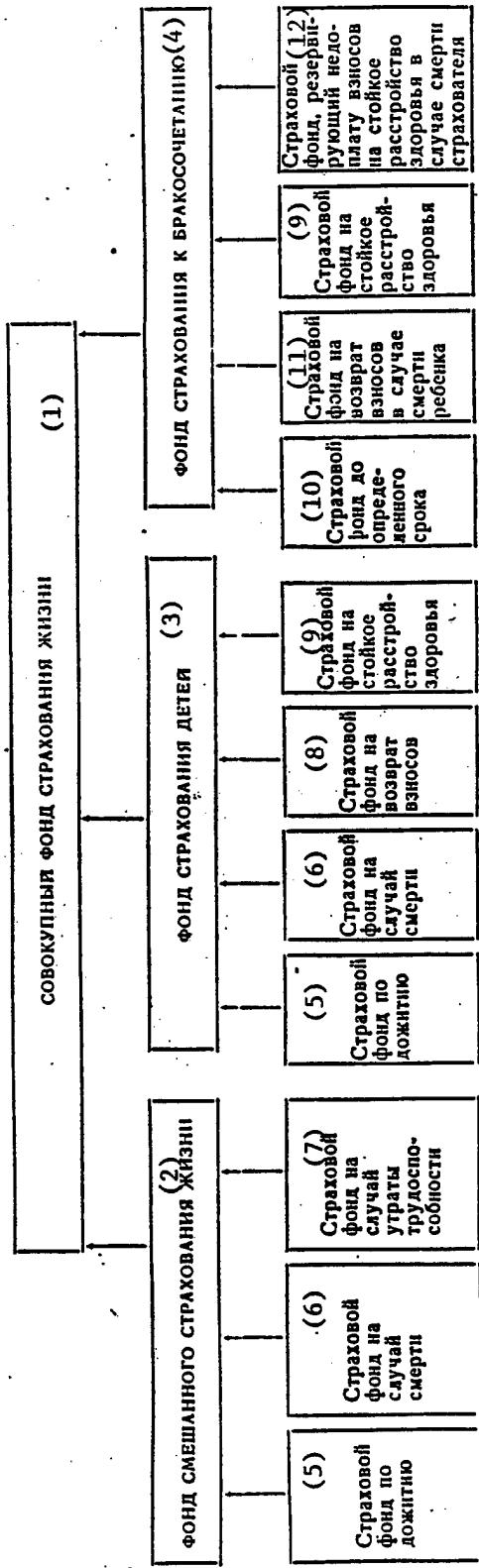
The insurance fund on the state scale, or the aggregate insurance fund, is made up of many different funds. Although it is not broken down organizationally, each fund has its own types of insurance. A specific structure develops within this fund, depending upon the variations of insurance liability specified by the regulations. The fund for each variation of insurance liability, in turn, has its own funds for each starting age, and funds for each insurance period within these (see diagram).

The aggregate fund is made up of the funds for the different types of insurance: 1. the combined life insurance fund, 2. the children's insurance fund, 3. the marriage insurance fund and so forth.

Each of these is made up of several different funds covering the number of types of insurance liability specified by the Regulations. The combined life insurance fund includes the following separate funds, for example: 1. the survival benefits fund, 2. the death benefits fund, and 3. the disability benefits fund.

The survival benefits fund and the death benefits fund are made up of funds set up for each starting age: 16, 17, 18 and so forth, up to 70 years. Each of these funds, which are designated for insured parties at a certain starting age, is in turn made up of special funds set up for policies drawn up for specific periods of time: 5, 10, 15 and 20 years. The funds for the types of life insurance are similarly formed.

Let us take a more detailed look also at the structure of the marriage insurance fund, as an example. In accordance with the types of insurance liability specified by the Regulations, and consists of four funds. The first provides for benefits to be paid when the period of time stipulated in the policy has elapsed; the money for returning premiums in case a child dies is concentrated in the second fund; and benefits paid due to a lasting illness are taken out of the third and fourth funds. In addition, in one of them funds are built up to cover the shortage of premiums for this purpose. The shortage occurs due to the fact that not all of the insured parties survive to the end of the period covered by



### Structure of Life Insurance Fund

#### Key:

1. Aggregate Life Insurance Fund
2. Mixed Life Insurance Fund
3. Childrens' Insurance Fund
4. Marriage Insurance Fund
5. Survival Insurance Fund
6. Death Insurance Fund
7. Disability Insurance Fund
8. Insurance Fund for Return of Premiums
9. Insurance Fund for Lasting Illness
10. Insurance Fund Covering a Specific Time Period
11. Insurance Fund for Returning Premiums, Should a Child Die
12. Insurance Fund as Reserve for Incomplete Payment of Premiums for Lasting Illness as a Result of the Insured Party's Death

the policy. These component parts of the marriage insurance fund are broken down into special funds formed by each starting age. Within that age category they are broken down into funds for each insured period, just as in combined insurance.

The insurance redistribution of funds occurs at the very lowest stage in the formation of the composite insurance fund within each small part—that is, of each insurance fund for policy groups according to age and periods within each variation of insurance liability.

There is a reason why a specific gross premium is calculated for each starting age and insurance period. In reality, the aggregate insurance fund functions as a single quantity, without the breakdown. It is periodically updated, however, during the inventorying of the personal accounts of the insured parties. A look at the inventory sheets will show that they reproduce the structure of the insurance fund in the form in which it is depicted in the article.

Each small primary part of the composite insurance fund provides the economic foundation for guaranteeing that the insurance terms will be observed.

An inspection of the diagram showing the structure of the aggregate insurance fund clearly shows the distinction between the life insurance fund and funds built up by savings banks. The savings bank's fund does not need to be divided up in this manner precisely because there is no internal redistribution of funds among the depositors, nor can there be. The depositors are all separate individuals. In the case of insurance, however, each small primary part of the insurance fund is created by a total group of individuals of the same age who have concluded contracts for identical periods of time and are linked together by the fund redistribution relations. When the insurance fund is used the premiums paid by the entire group of individuals indicated go to those who have experienced an occurrence covered by the insurance.

Now let us compare the life insurance system with the system of state social insurance and security, and we shall see that they have a similar purpose—material support for citizens in their old age, in case of loss of breadwinner, and so forth. Their main difference lies in the source of capital from which the insurance fund is created. The funds for social insurance and support are allocated out of public consumption funds. Life insurance comes out of the personal consumption fund. In the former case the insurance fund is financed by enterprises and the state, in the second by the citizens themselves.

The benefits and pensions paid as state social insurance and security are fixed in size. And this is understandable, since the size of the insurance fund is strictly limited by the amount of resources. Social insurance and security guarantee a certain minimum or medium income level. The size of Gosstrakh benefits depends upon the desires and the financial possibilities of the insured party, but for a larger benefit the insured party also pays a higher premium.

For a long time there existed the opinion that there was no basis for developing life insurance under socialism due to the extensive development of social insurance and social security. The experience of our nation and of other socialist nations has shown that voluntary life insurance can develop completely successfully as a supplement to social insurance.

There are several reasons for this. The main reason is that while wages differ, the amount of pensions and benefits paid as social insurance and security are relatively equal. The difference between income in the form of a pension or assistance and wages is made up to a certain degree by means of life insurance.

The reasons for developing life insurance may be psychological as well as social. We know that in the capitalist nations the social security system does not extend to all categories of workers. Special studies have shown that life and disability insurance at one's own expense in the private insurance companies is developed more extensively among those groups of population to which social insurance extends.

They apparently recognize the inadequacy of social insurance and acquire insurance at their own expense.

In the socialist nations life insurance is developing simultaneously with the improvement of social insurance and other steps paid for by the state.

Naturally, life insurance could not become so widespread in the socialist nations, where the people are relieved of uncertainty about the future, where medical services and education are free and where social insurance is extensively developed, as in the capitalist nations, where insurance paid for by the people themselves predominates over social insurance. The state social insurance and security fund is the foundation for providing members of the socialist society with assistance and pensions.

And so, while still an independent financial operation, life insurance has a great deal in common with state social insurance, as well as with savings. It also differs fundamentally from the one and the other system, however. Its similarity with savings lies, in the first place, in the source of the resources (the monetary incomes of the population) and in the second place, in its ability to accumulate temporarily free money of the population. It differs from savings in two ways: the redistribution of money within the insurance fund among the insured parties and a firmly set insurance premium calculated on the basis of the theory of probabilities.

Its similarity to state social insurance lies in a common purpose--that of guaranteeing material security for citizens in specific situations. The distinction lies in the source of funds: public consumption funds for state social insurance and security, and the monetary incomes of the population for life insurance.

The second difference lies in the fact that the size of the benefit is strictly set in the social insurance system, while the insured party establishes it himself in the Gosstrakh system.

By satisfying the need for insurance protection and guaranteeing material security in specific situations having to do with the insured party's life and ability to work, state insurance introduces an organizing principle into the family budget. The terms of a life insurance policy themselves make it necessary to save money in a planned manner over a number of years for old age, for assisting children, and so forth, and promotes the efficient expenditure of earnings.

Returning to the questions raised at the beginning of the article, we can arrive at the following conclusions. The services of either a savings bank or an insurance establishment can be used for saving a certain amount of money. In the latter case, however, payment of benefits is guaranteed even if the insured parties do not survive to the end of the policy's effective period.

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## PERSONAL INCOME AND SAVINGS

### FAMILY BUDGET STANDARDS IN MOLDAVIA EXAMINED

Kishinev KOMMUNIST MOLDAVII in Russian No 9, Sep 84 pp 56-61

[Article by L. Senokosova, docent of the KPI imeni S. Lazo, candidate of economic sciences, and F. Popovich, chief of the Budgetary Statistics Department in the Moldavian SSR Central Statistical Administration: "The Family Budget: an Indicator of the Party's Concern for the Individual"]

[Excerpts] Our republic is marking the 60th anniversary of its formation and of the creation of the Moldavian Communist Party. The years in which Soviet Moldavia has been established and developed have involved much: enormous selfless labor to create a major modern industry, intense agricultural development, the advanced culture and rise in the living standard of the population, the great feats of arms to defend the socialist motherland, the strengthening of the bases of developed socialist society.

On instructions from the government, since 1918 the organs of state statistics have systematically been conducting special observations of family budgets in the various social groups within the population. This survey is valuable because the data from it characterize the importance of different sources in the formation of the Soviet family's income and throw light on the structure of consumption and its spatial and temporal dynamics as a function of a number of socioeconomic factors.

During the current period, with the agreement of the families the USSR Central Statistical Administration is studying 62,000 budgets for various categories of workers with different family composition and numbers; the Moldavian SSR Central Statistical Administration is studying about 1,100 budgets. Material from the survey is being used to analyze the material situation of families; it serves as a base for correct planning of the production, distribution and consumption of material and spiritual boons; and it reflects the result achieved in the practical implementation of the socioeconomic measures outlined by the party and government. Observation of the family budget makes it possible in a practical way to see the socioeconomic changes that are taking place in the family and to take the necessary steps to eliminate any unjustified gap between the living standards of individual categories of workers.

The Soviet state has always paid special attention to the family as the basic cell in society, and it continues so to do. Elimination of private ownership, the change in the system by which family budgets are formed, and the abolition

of any kind of discrimination against people on the basis of sex, age, race, or nationality have led to considerable change in the family's function in society and to growth in the income part of its budget.

The profound socioeconomic transformations that have taken place during the years of soviet power and the steady growth in workers' incomes and the rapid growth of public consumption funds have resulted in substantial changes in the budgets of workers' families. This can be graphically traced in the structure of family income and expenditures in the Moldavian SSR. According to figures from a survey of family budgets for workers and employees in the MSSR the level of material well-being is characterized by growth in the total income per family member, which in 1981-1983 increased 10.7 percent compared with 1980. Total incomes for kolkhoz farmers' families increased by a corresponding 16.1 percent. The faster growth rates in the incomes of kolkhoz farmers have had the effect of bringing closer together the standard of living among the urban and rural populations.

Under socialism the well-being of each member of a Soviet family depends on the wealth of all society and on the labor productivity of each worker separately. Over the past 5 years real per capita incomes have risen 13 percent. Whereas in 1970 some 18 percent of families had monthly incomes of more than R100 per family member, in 1983 this figure was more than half the population. This became possible thanks to improved labor productivity in the national economy. Under socialism a direct link exists between labor productivity and the well-being of the people. This is explained by the fact that the entire effect derived from savings of labor is allocated for use by the people. This is why over the first 3 years of the 11th Five-Year Plan measures were implemented more than once to increase the wages of low-paid workers and reduce the differences in the wages of workers and employees.

Analysis of the structure of the total income indicates higher labor activeness among the members of the families being studied, greater use of agricultural produce grown on private subsidiary plots, and improvement in the well-being of the people in general. In a short time, as the result of fulfillment of measures outlined by the party and government it has been possible not only to increase per capita consumption of basic foodstuffs, but also to alter its structure. In terms of caloric intake (about 3,200 calories per day) these products fully satisfy the body's energy requirements.

Considerable successes have been achieved also in developing the production of clothing, footwear, fabrics, cultural and everyday and domestic items and so forth. It can be said that at the stage of developed socialism the process of fully satisfying demand for priority industrial goods is coming to an end and a switch being made to the process of mass renewal. In the last decade alone the availability of refrigerators and electric vacuum cleaners for the families of the republic has almost tripled; the availability of washing machines has increased by a factor of 1.9, and of radio receiving equipment by a factor of almost 1.7.

By concentrating in its own hands a significant proportion of national income in the form of public consumption funds and making purposeful use of them the Soviet state is reducing in a planned way the differences in family incomes,

equalizing the structure of consumption, and insuring more favorable conditions for the comprehensive development of all members of society. In the 11th Five-Year Plan additional state expenditures for social measures amount to R25 billion, and they are being allocated as follows: aid for families with children, more than R9 billion; improvements in social security, almost R6 billion; raising wages, R10 billion (also calculated for 1985).

In recent times one of the favorite "arguments" of U.S. radio propaganda against the countries of the socialist community has been that a worker in the United States receives more than his Soviet counterpart and can therefore insure for himself a higher standard of living.

True, the reality of the two worlds can be perceived by way of comparing incomes and expenditures in the family budget. Thus, in the United States, one inhabitant in seven is [below] the minimum subsistence level of \$9,862--the "poverty level." And a comparison of this with actual prices for goods and services shows that a considerable portion of this minimum is spent to satisfy the most essential needs--food, rent, medical services, education and so forth. For example, in Washington it costs \$500 per month to live in a decent two-room apartment. Almost \$300 go for medical insurance. The average cost of hospitalization per patient has risen from \$316 in 1965 to \$2,168 in 1982. In the United States a college student must pay \$10,000-\$12,000 each year for his education. In our country the state carries the cost of a considerable part of expenditures for education of the rising generation, training, health care, and living apartments. For example, it costs about R580 to keep a child in a creche for a year, and R506 to keep a child in a kindergarten. And 80 percent of these costs are paid by the state. Thus, from the moment a child is born up to the time he starts school, the state pays out about R3,000. And if we consider that the annual cost of maintaining a student at a secondary specialized training establishment is about R1,100, then the calculation shows that total expenditures borne by the state for education from first grade to graduation from a VUZ is about R7,000 per inhabitant.

In our country health care is provided for workers on a free-accessibility and gratis basis. It costs R10.50 per day to look after one patient in a hospital, and a visit to the physician costs 84 kopecks. Meanwhile, in the United States a visit to a doctor's office costs from \$5 to \$10, and an X-ray costs \$13-15.

It has been calculated that the average per capita payments from the social consumption funds throughout a person's entire life amount to about R25,000, including about R10,000 for the costs of training him for labor, that is, before he even reaches working age, while R6,000 are spent to maintain him after he had retired.

Calculations using the exactly the same method show that the family budget for someone living in the United States is far from adequate. As a result an exceptionally strict economy must be practised in literally everything. This is why about 80 million citizens in that country whose family budget is below the so-called sufficiency level are, despite the abundance of food products, forced to feed themselves with substitutes; who know about the supermodern medical equipment and the latest methods of treatment but must refuse themselves

a visit to a physician's office, and who see the beautiful houses and luxury apartments but are forced to live in wretched apartments, and so forth.

During the past 13 years (1970-1983) per capita payments and privileges in the Moldavian SSR have more than doubled. These funds make up about 12 percent of total income. The state uses most of the public consumption funds for social security--the aggregate of all kinds of public support for members of society incapable of work, and also for the education and training of the rising generation. Here, more than 48 percent of the total amounts of payments made are monetary payments.

One important source in the family budget is private subsidiary farming. Calculated per family member, the proportion of income from private subsidiary farming for the sovkhozes workers in the republic as part of total income was 22 percent in 1983, and for kolkhoz farmers it amounted to more than 30 percent.

In our republic the area of arable land set aside for use as private subsidiary plots for use by kolkhoz farmers is more than 61,000 hectares, while for workers and employees it is almost 61,000 hectares; and the average size of the private subsidiary plots per kolkhoz worker's family in the republic is 0.23 of a hectare. Here, according to the statistics, each ablebodied member in a kolkhoz farmer's family spent 566 hours working on his private plot in 1983, while the figure for the families of sovkhoz workers is more than 500 hours.

The possibilities of the private subsidiary plot are not limited to the production of agricultural produce for private use. Recently there has been a growing extension in the republic of the practice of using private subsidiary plots to participate in the rearing of cattle and poultry for the needs of the public economy. At the beginning of 1984 the number of cattle on the private subsidiary plots was 233,300 (this is 26 percent more than at the start of 1976); there were also 216,000 hogs (or 47 percent more), and 8.7 million units of all kinds of poultry (18 percent more).

In examining some of the sources used to form the budget of the Soviet family, it should be noted that it is not burdened down by increasing taxes, as it quite often is in the capitalist countries. Taking into account payments and privileges from the public consumption funds, the average wage for workers and employees now stands at the level of R254 per month.

Growth in income leads constantly to substantial changes in the composition of expenditures. Thus, within the budget of Soviet families we observe progressive shifts: the portion of expenditures for food, fuel and other everyday needs is contracting while the proportion of expenditures for durables and objects of culture and domestic items and services is growing. The volume of monetary means in the expenditure part of the budget is markedly increasing through the consumption of better-quality boons.

It is no secret that for some people the demand for fashionable "foreign" things is becoming a main goal. The purchase of such things often leads to a decline in spiritual requirements. Here, of course, harm is also done to the family budget.

It is very important that the behavioral feature of thrift be developed in family members. Of course, each person is master of his own personal property, but it should not be forgotten that social labor is embodied in this property. Extravagance is not a communist trait. We, the people of labor, should value the fruits of our own and other people's work, take care of the kopeck earned through labor, and use it wisely. For a person to be truly provided for and his various needs satisfied, he should make rational use of his budget; and herein is seen his sense of breeding and culture. In his report at the CPSU Central Committee June (1983) Plenum the CPSU Central Committee general secretary comrade K.U. Chernenko stressed that "... there must be more active and purposeful work to shape sensible requirements and interests in the individual." (K.U. Chernenko. "Selected Speeches and Articles" Moscow, Politizdat, 1984, p 582).

In our opinion, the cultivation of sensible requirements should be formed from childhood. It is therefore essential that not only adults but also juveniles be recruited more often to deal with the allocation of the family budget. This is of enormous educational value. Many juveniles have become accustomed to wearing expensive things without ever thinking about the labor that this has involved for their parents. By participating in the planning of family expenditures children will apprehend that their parents' assets are limited and that if they purchase one thing they must abandon the purchase of others. Of course, this must be done skillfully and carefully so that the child does not start to translate all the values of life into monetary terms. It is very important that a broad range of spiritual requirements be formed in children, and that they be taught modesty and become accustomed to labor.

Families now frequently spend considerable sums of money to celebrate ceremonial occasions (weddings, anniversaries). These ceremonies are, of course, essential, but they should first and foremost be imbued with spiritual content. The research shows that in fact considerably more than is necessary is spent for weddings and anniversaries. This applies in particular to expenditures for food: sometimes up to 30 or 40 percent of the food prepared is wasted, or in a best case situation, is used to feed cattle. And these products could be used for other purposes. Party and other public organizations and the entire ideological aktiv are called upon to help Soviet people instill in themselves a broad range of interests and to find the correct method for realizing them.

The basis for raising the living standard of Soviet people is their honest labor, which insures constant growth in the country's economy. In labor a person not only creates material values but also fashions his best abilities and confirms himself as a citizen and active builder of communism.

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## FOOD PROCESSING AND DISTRIBUTION

### WIDER USE OF MARGARINE PRODUCTS ADVOCATED

Moscow KOMMERCHESKIY VESTNIK in Russian No 20, Oct 84 p 34

[Article by R. Kogay, candidate of economic sciences and sector chief at the All-Union Scientific Research Institute of Consumer Demand and Market Conditions, and L. Kuznetsova, senior researcher: "Margarine, a 'Convenient' Product"]

[Text] Fats are important in the diet of our population. The human organism cannot function normally without them.

Recently there have been changes in the patterns of the demand for them, leading to the increased use of products with greater nutritional value.

The demand for vegetable oil (according to a survey of retail trade specialists conducted by VNIIKS [All-Union Scientific Research Institute of Consumer Demand and Market Conditions] in 1983) is being satisfied by more than 100 percent in general, but by no more than 3 percent for olive oil, 2 percent for corn oil, 4 percent for mustardseed oil, 6-10 percent for soybean oil and 18-20 percent for cottonseed oil.

According to the recommendations of the Nutrition Institute of the USSR Academy of Medical Sciences, margarine products should account for more than 70 percent of the total vegetable fats consumed. To stimulate sales of these products, production must be brought in line with demand. One of margarine's distinctive features is that it can be given specific properties and a strictly balanced composition of the fatty acids determining the value of any fat. This is why there are different brands of margarine for different purposes: the "Ekstra," "Osobyy," "Slavyanskiy" and "Novyy" high-quality sandwich-spread brands, as well as the low-fat "Gorodskoy" and "Raduga" brands, for direct use in food; the "Slivochnyy," "Gorodskoy," "Raduga" and "Stolovyy" brands with artificial flavorings for baking; the "Stolovyy" and "Slivochnyy" brands for whipped-cream preparations; cooking fats and the "Rossiyskiy" brand of margarine for frying foods.

There are certain inadequacies in the margarine assortment, and these complicate the efficient determination of the demand for fats. For example, although the output of margarine has increased 1.2-fold in recent years, the output of brands with an 82-percent fat content has decreased by 25 percent, the output of high-quality (sandwich-spread) margarine has not changed, but the output of

low-fat brands (72-75 percent) has almost tripled. The USSR Ministry of Trade's requisitions for high-quality margarine in 1983 was satisfied by 17-18 percent. The average assortment has not grown. According to the reports of VNIIKS trade correspondents, it consisted of 2.6 items in 1983. The intensive growth of the output of low-fat products is inexpedient at the present time because their use is limited.

The results of a survey of trade specialists to learn the reasons for the low demand for vegetable fats are shown in the table (in percentages of the number of respondents).

<u>Type of product</u>	<u>Unpleasant taste or smell</u>	<u>Limited use</u>	<u>Unpackaged products</u>	<u>Other reasons</u>
Margarine	29	39	13	19
Cooking fats	17	22	46	15
Vegetable oil	33	28	19	20

The output of unpackaged products affects sales volume. According to retail trade workers, shipments of packaged vegetable oil and cooking fats should be at least twice as great and shipments of packaged margarine should be 1.2 times as great.

Methods of selling vegetable oil also need improvement. Retail trade specialists believe that around 84 percent of the oil could be packaged industrially, around 6 percent could be sold through vending machines in stores, and the rest could be poured to order.

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